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THE ADMINISTRATION OF CHAMPVA

HEARING

BEFORE THE

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

MARCH 17, 1988

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THE ADMINISTRATION OF CHAMPVA

THURSDAY, MARCH 17, 1988

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:09 a.m., in room 334, Cannon House Office Building, Hon. Lane Evans (chairman of the subcommittee) presiding.

Present: Representatives Evans, Applegate, and Davis.

OPENING STATEMENT OF CHAIRMAN LANE EVANS

Mr. EVANS. The subcommittee will come to order.

I want to wish everybody a good morning and apologize for being a little late. Being late violates the Montgomery rule of starting our hearings on time.

Today, the Subcommittee on Oversight and Investigations is meeting to review the administration of CHAMPVA. CHAMPVA, or CHAMP "V" "A," as this program is sometimes known, is the Civilian Health and Medical Program of the Veterans' Administration.

Authorized in 1973, it provides 75 percent of the cost of health care furnished to eligible dependents of certain veterans. These include dependents of veterans who are permanently and totally service-connected disabled, dependents of deceased veterans who were rated permanently and totally service-connected disabled at the time of their non-service-connected death, and the survivors of veterans who have died as a result of a service-connected condition.

CHAMPVA is clearly an important and needed program. This subcommittee fully supports its purpose and objectives. The same can't be said for the administration of this program, however.

In 1982, the VA Inspector General reviewed the administration of CHAMPVA. In two audits issued that year, the IG reported on numerous serious administrative deficiencies.

For example, the program lacked the direction and controls needed to prevent payments to ineligible beneficiaries, a significant number of ineligible beneficiaries were listed on the rolls, and ineligible beneficiaries were, in fact, receiving CHAMPVA benefits.

Because of these problems, millions of dollars were being spent by the VA to provide health care to individuals not eligible for this benefit. In response, the Department of Medicine and Surgery, which is responsible for administering CHAMPVA, proposed to take needed corrective actions.

In 1987, millions of wasted dollars, and five years later, the Inspector General issued another audit on the administration of this program. The results, quite frankly, were infuriating.

DM&S had not corrected obvious administrative deficiencies, the annual VA cost of providing care to ineligible beneficiaries had increased dramatically, and the percentage of ineligible beneficiaries receiving benefits had nearly doubled. For five full years, the Department of Medicine and Surgery had consistently failed to make the administrative improvements that were so obviously needed.

Why did it fail so completely? I can't find any reasonable explanation. I hope someone will be able to answer that question today.

Those who were responsible for administering this program presumably had enough ability, so it is not a question of competence. Maybe they simply didn't care. What little that was done, and it wasn't much, had the same practical effect as rearranging the deck chairs on the Titanic.

If anyone representing the VA today plans to recite a list of initiatives and accomplishments during those five years related to improving the administration of CHAMPVA, you still have the opportunity right now to reconsider your testimony.

Maybe I sound dissatisfied and impatient. Frankly, I am. Our committee just considered the new budget request for veterans. That budget didn't even provide current level of services for the VA. When so much could be done if those resources were available, the flagrant squandering of literally millions of dollars is like a slap in the face.

To demonstrate once again that truth can be stranger than fiction, the VA has requested 133 new full-time employees in the new budget for the CHAMPVA program. The VA proposed to assume full and complete responsibility for the payment and reimbursement of claims under this program.

After five failure-filled years of not being able to develop and maintain an accurate list of eligible beneficiaries, the VA now wants even more administrative responsibility. This should be an interesting hearing today as we examine the recent history as well as the current and future administration of the CHAMPVA program.

[The prepared statement of Chairman Evans appears on p. 33.]

Mr. EVANS. At this time, I would like to recognize Congressman Davis of my State, Illinois, for any opening remarks he would like to make.

OPENING STATEMENT OF HON. JACK DAVIS

Mr. DAVIS. Thank you very much, Mr. Chairman.

This morning's hearing on the civilian health and medical program of the VA is most timely. Sometimes I wonder—I am on the Armed Services Committee, and CHAMPUS in the Armed Services Committee is a continual bone of contention. Sometimes I wonder which committee hearing I am in. The same problems exist in military CHAMPUS as exist in the VA CHAMPVA.

So, I commend you, Mr. Chairman. This is a very timely and a very important hearing this morning. We need to try to get to the bottom of this and find out just what in the world is going on.

Mr. Stump, the ranking subcommittee member, couldn't be here this morning, so I am filling in for him, and I hope I do a more than adequate job. Bob is a fine Congressman and wanted to be here, and asked me to fill in his chair. Now that I am in it, I may never give it back.

The basic question is, what the heck is going on at the VA when the Inspector General's recommendations from five years ago are apparently ignored or forgotten or, even worse, criminal negligence has taken place, and $50 million right out of the pockets of the taxpayers and, worse, out of the pockets of veterans who are trying to be served is just thrown out the window.

I find that to be a tragedy, and, as far as I am concerned, I think we ought to get to the bottom of this. These allegations are very distressing. It just makes you plain mad, and I hope that the VA will have some pretty good explanations. I hope that those in charge at the VA will have the courage to admit what they are and tell us what in the world they are going to do about correcting this position.

Let's get at it, Mr. Chairman. I am ready to go.

Mr. EVANS. I thank my colleague for his comments and for being here today.

Let me at this time recognize my colleague from Ohio for any opening comments he may have.

Mr. APPLEGATE. No, thank you, Mr. Chairman.

Mr. EVANS. At this time, we will call our first witness, Phil Riggin, representing the American Legion. Phil Riggin is Director of the National Legislative Commission of the American Legion, and he is accompanied by Mr. Philip Wilkerson who is the Assistant Director of the National Veterans' Affairs and Rehabilitation Commission.

I want to welcome both of you. You have submitted a very extensive prepared statement. Without objection, that statement will be made a part of the official record of the hearing, and you may proceed in any manner you would like at this time.

STATEMENT OF PHILIP RIGGIN, DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION; ACCOMPANIED BY PHILIP R. WILKERSON, ASSISTANT DIRECTOR, NATIONAL VETERANS' AFFAIRS AND REHABILITATION COMMISSION

Mr. RIGGIN. Thank you, Mr. Chairman.

We are prepared to summarize our statement to conform with the committee's normal five-minute limit. Mr. Wilkerson will provide that summary, and both of us will be available to answer any questions that the subcommittee members may have.

Mr. WILKERSON. Mr. Chairman and members of the subcommittee, before beginning our summary, we would like to point out that the American Legion's involvement with the CHAMPVA program is only to the extent of advising the beneficiaries of their potential eligibility for benefits and where to apply. We are concerned by the problems highlighted by the VA's Inspector General, and we wish to commend this subcommittee for holding this oversight hearing.

Since the establishment of the program some 15 years ago, the amount paid by VA for CHAMPVA medical claims has risen steadily. The current budget for fiscal year 1989 stands at $106 million.

As in any benefit program administered by the VA, we insist there be strict accounting of Federal funds expended and responsible and effective management to ensure the benefits are properly paid. The initial audit in 1982 by the VA IG revealed significant numbers of ineligible beneficiaries on the CHAMPVA rolls, numerous inaccuracies in the inventory data, and a lack of basic processing controls for recording changes of status as well as a lack of quality control standards.

The VA expended some $45 million in fiscal year 1981 under CHAMPVA with no reliable means to determine whether benefits were paid to eligible beneficiaries. Probable erroneous payments in that year could have exceeded $4 million.

The IG recommended that immediate action be taken to remove all ineligible beneficiaries from the CHAMPVA rolls and to create an accurate, up-dated inventory which could be used by all medical facilities to verify eligibility for payments being made through CHAMPUS. The audit highlighted the fact that DM&S had never implemented quality assurance procedures to monitor the error rate in claims processing, and it had not provided written guidance procedures or formal training of personnel in determining CHAMPVA eligibility.

One of the principal causes for the deficiencies identified was a lack of adequate direction and administrative control by the Department of Medicine and Surgery. CHAMPVA was not considered a high priority program.

In September of 1982, the Inspector General reported on the findings of a follow-up audit. One of the principal recommendations was to establish a central eligibility enrollment system as part of an effort to remove ineligible beneficiaries from the CHAMPVA rolls and maintain an accurate and up to date inventory of beneficiaries.

It was additionally recommended that the VA identify ineligible beneficiaries receiving payments and initiate collection action, including third-party liability cases. DM&S officials concurred with the recommendations of the Inspector General.

In 1987, another follow-up audit was conducted. In the period from 1983 to 1986, the IG estimated that about 28 percent of the 200,000 individuals who participated in the CHAMPVA program were ineligible, and the VA had paid $40 million in medical claims plus about $2.2 million in administrative costs. It is further estimated that the VA will lose about $14.5 million in fiscal year 1988 and another $15.2 million in fiscal year 1989 for the cost of care provided to ineligible beneficiaries.

Mr. Chairman, if these estimates are anywhere near accurate, there is an obvious need for corrective action to be taken with respect to the administration of the program. It seems almost incomprehensible that DM&S has still not been able to effectively purge its beneficiary rolls, screen all new CHAMPVA applicants, and establish a reliable and up to date inventory of eligible beneficiaries.

In October of 1986, DM&S established a central CHAMPVA registry center in Denver to develop and maintain an accurate inven-

tory of eligible beneficiaries. Since the Inspector General's audit report in 1987, DM&S has proceeded with efforts to improve the capability and operations of the registry center, and we understand that DVB has now authorized access to the TARGET system, and DM&S will purchase necessary computer equipment later this year.

Several data matches are to be conducted this year as well to complete the reverification process. DM&S, in its current budget request, has included funds to establish a central payment center which will allow the VA to assume the full administrative responsibility for the processing payment of all CHAMPVA claims.

Mr. Chairman, the CHAMPVA program has paid out tens of millions of dollars of taxpayers' dollars to individuals who were not eligible for CHAMPVA benefits when, at the same time, other departments in DM&S have struggled under severe budget constraints to try to provide essential levels of service and staffing in the medical care program for veterans. Although some improvements in the program have been made, there is still a long way to go, in the judgment of the American Legion.

We believe the IG's findings support the conclusion that the CHAMPVA program remains highly vulnerable to negligence and waste. The initiatives begun by DM&S within the past year to centralize both the verification and payment activities into one center appear to be positive and long-overdue steps towards establishing administrative and fiscal control of the program.

Toward this end, Mr. Chairman, we recommend the continued oversight of this program by the subcommittee.

This concludes our testimony.

[The prepared statement of the American Legion appears on p. 39.]

Mr. EVANS. I want to thank you for testifying and showing your interest in this program.

Have you, during the last six years since the 1982 audit by the IG, seen any significant improvement in the administration of CHAMPVA and a corresponding reduction in abuse and waste?

Mr. WILKERSON. As I indicated, Mr. Chairman, we have not really been aware of this particular problem. It was only brought to light by having access to the Inspector General's reports. We have not received any complaints from our service officers in the field with regard to the problems as revealed in these reports.

Mr. EVANS. Do you believe the VA should attempt to collect the payments which have been provided to ineligible beneficiaries? If you believe that, are you satisfied with their actions so far to date?

Mr. WILKERSON. I would say that it would certainly be consistent with other programs within the Department of Medicine and Surgery as well as DM&S to seek recovery of either over-payments or erroneous payments.

With regard to the current efforts, we believe that with sufficient administrative control, these should go a long way toward establishing an effective program. I just don't see how it could be possible to even try to administer a program of such scope and number of beneficiaries without the technical data that is provided by the TARGET system.

Mr. EVANS. You note the recommendation of the IG to transfer responsibility from DM&S to DVB. Would the American Legion support that officially or make any recommendations in that regard?

Mr. RIGGIN. Mr. Chairman, we haven't had a chance to fully examine that idea or proposal, but, clearly, the lion's share of the problems that have existed in this program over the years have been basically accountability problems. It would certainly seem, at the very least, that there should be greater cooperation between DM&S and DVB in terms of producing higher accountability.

As to whether the program should be completely transferred to DVB, I would ask your indulgence to look at that a little longer and perhaps get back to this subcommittee with our specific reaction to that proposal.

Mr. EVANS. We would appreciate that when you have had a chance to look at that issue.

Mr. RIGGIN. All right.

Mr. EVANS. Mr. Davis?

Mr. DAVIS. I have no questions, Mr. Chairman.

Mr. EVANS. Mr. Applegate?

Mr. APPLEGATE. No, thank you, Mr. Chairman.

Mr. EVANS. All right. We want to thank you for taking the time to come before us today, and we would appreciate hearing from you once you have had time to consider the transfer issue.

Mr. RIGGIN. We will, sir. Thank you.

Mr. EVANS. Our next witness is Acting Inspector General Renald P. Morani. Mr. Morani is accompanied by the Deputy Inspector General for Audits, Ken Furukawa.

Before he begins his statement, some recent events connected with this hearing need to be addressed. Generally, I ask witnesses appearing before this subcommittee to submit their written statements several days before a hearing. This gives our subcommittee members the opportunity to review and study the testimony.

For today's hearing, I asked witnesses to submit their written statements by the close of business last Thursday. Because the testimony of the IG wasn't received last Thursday, on Friday morning, committee staff contacted the office of the IG.

We were told that the IG had, in fact, written a statement for this hearing and that it had been submitted to the General Counsel. A decision was then made, however, that the Department of Medicine and Surgery and the Inspector General would submit a single combined statement to this subcommittee. The single statement was intended to represent both offices.

We also learned that the IG had not reviewed this combined testimony before it was submitted by DM&S.

I must tell you I am very concerned about these events because the office of the Inspector General is expected to be independent. The IG is expected to exercise independence in both thought and action. When that independence is lacking, the operations, activities, findings, and recommendations of the office can be compromised.

So, before you present your testimony, I think the committee has a few questions in regard to these specific events. At this time, I would like to recognize Congressman Applegate to pursue some of

those questions, and I think all of us may have questions in this regard.

Mr. MORANI. Yes, sir, Mr. Chairman.

Mr. APPLEGATE. Thank you very much, Mr. Chairman.

I just want to commend the chairman for holding these hearings today which seem like they might just be a run-of-the-mill hearing. However, there seems to be some very gaping problems and holes in somebody's testimony, and I want to agree, too, with Mr. Davis and his comments that there certainly appears to be something very seriously wrong and very seriously negligent, although I think he used terms a little stronger than that.

Mr. DAVIS. You bet I did.

Mr. APPLEGATE. However, in looking at Mr. Winship's testimony, he did say, I think, as the chairman had said, that this testimony that he gives represents the views of both sides or both of the offices. Of course, I guess my question to you is, does this represent both offices? Does Mr. Winship's testimony that he gives represent your view as well as their own, and does the Inspector General's office support the views?

Mr. MORANI. Sir, the testimony, as we prepared it, was a compilation of events from our prior audits in 1982 and 1987. As we prepared the initial testimony to try to cover the various events and coordinated it in the department, we found much redundancy and repetition of events.

To that extent, the single statement that was proposed would reduce redundancy and decrease the administrative effort. To that extent, we concurred that if a single statement was acceptable, we would go along with it. We had no objections as long as it recognized the results of the various audits.

Following that concurrence, a single statement was prepared that recognized the efforts of the Inspector General in bringing out the problems. There was never any question as to the conditions that were being disclosed. The conditions were concurred in for the 1982 audit and the 1987 audit.

The recommendations that were made were accepted. There was no non-concurrence or any differences between the Office of the Inspector General or the Department of Medicine and Surgery as far as the facts were concerned.

I think the area that seemed to be redundant was related to events rather than actions being taken by the Department. So, to the extent that the results of the audits were accurately reflected, we had no objections to a single statement.

The responsibility for the corrective actions taken or not taken was solely the responsibility of the Department of Medicine and Surgery.

Mr. APPLEGATE. Are you saying that the Department of Defense, then, is more at error in much of the problems that are happening?

Mr. MORANI. No, sir. I didn't mean to imply the Department of Defense was.

Mr. APPLEGATE. I thought that is what I understood you to say. The Department of Defense, as I understand it, administers the program. Is that correct?

Mr. MORANI. Yes, sir. The basic problems of the audit were related to eligibility—the question of determining eligibility within the

Veterans' Administration process. That was disclosed in the 1982 audit, and it was redisclosed in the 1987 audit.

We found no problems with the CHAMPUS program itself. To my knowledge, the audits disclosed no problems with CHAMPUS—the part that DOD handles.

Mr. APPLEGATE. Let me ask you this, because when I look at this, I can't see where the IG's office and the VA's statement concur. It seems to me there are some very gaping holes in here which I think really have to be explored. But let me ask you this, because I think there are some other problems that I am having, too.

Did the IG's office have a pre-testimony meeting with officials of the Department of Medicine and Surgery or anyone else at the VA's Central Office to talk about the testimony that you are submitting and presenting to the committee today?

Mr. MORANI. Yes, sir. At the time of the notice of the hearings, there were still some incompleted actions. The final resolution was still pending on the implementation actions. We had about four areas still open as unresolved. These were the areas that were noted in the 1987 report.

To that extent, there were discussions even with the Administrator and the Chief of Staff to resolve these issues and to present the corrective actions to the committee.

Mr. APPLEGATE. Can you tell me who attended the meetings?

Mr. MORANI. Myself, the Administrator, Chief of Staff, Dr. Winship, others in the DM&S area.

Mr. APPLEGATE. Let me ask you this very directly and very bluntly: While you were there, were there any requests to have you change your testimony to more or less coincide with that of the Department's testimony?

Mr. MORANI. No, sir.

Mr. APPLEGATE. Was there any undue influence brought down upon you?

Mr. MORANI. No, sir. The emphasis at that meeting was strictly to get resolution, to acknowledge the problems of the past, and to arrive at corrective actions that would solve the conditions noted in our reports. The emphasis was on corrective action and let's get the job done.

Mr. APPLEGATE. So, you are adamant in saying absolutely that there was no coercion, no nothing, no influence, no pressure being brought to you to change your testimony before this committee?

Mr. MORANI. No, absolutely not. The emphasis was on corrective action. Testimony from the IG's office was not even a discussion, because, at that time, we were still in the preliminary stages of bringing it together.

Mr. APPLEGATE. Okay. That is all I have right at the moment, Mr. Chairman.

Mr. EVANS. Let me recognize Congressman Davis for a few questions in this regard.

Mr. DAVIS. Thank you, Mr. Chairman.

You are new to the position, are you not, Mr. Morani?

Mr. MORANI. Yes, sir. I have been acting in the position since the retirement of—

Mr. DAVIS. You have been the Acting Inspector General and now you are the Inspector General. Is that correct?

Mr. MORANI. No, sir. I am the Deputy Inspector General, and I am acting as the Inspector General during the vacancy period.

Mr. DAVIS. Oh, I see. I find the questions of Congressman Applegate and the chairman particularly disturbing that these things would take place. It has been my understanding that the IG should remain at arm's length from the very department of which it is the watch dog. To even have those meetings—I assume were probably on-going to resolution—but to have those meetings in front of a hearing is, I don't think, a very good idea on your part, sir.

I guess it is an admonition that I would not have done that had I been you. I think I would have held them at arm's length until after the hearing was over so you could have presented to us what the deficiencies were and what remain in your own eyes rather than have them come forward and say well, we are working on it, we had a meeting with Mr. Morani and Mr. Furukawa, and it is all hunky-dory.

I am going to ask Mr. Winship this question, but I am going to ask you as well, and you may not be able to answer it, although you as the Inspector General may be very well be able, because I am sure your audit must have taken this in tow, and the other witnesses will be right behind you so you will have this question of you by me. The DVB—did it furnish eligibility lists to DM&S? Were there ever comparisons made? Did it furnish such information and were computer comparisons made on eligibility?

Mr. MORANI. Let me refer to the Assistant IG for Auditing and see if he can answer that question for you, sir.

Mr. FURUKAWA. Not to my knowledge, sir.

Mr. DAVIS. The DVB did not furnish any eligibility list to DM&S?

Mr. FURUKAWA. Not a listing per se. I understand that periodically, as beneficiaries applied for CHAMPVA benefits, of course, information would be transmitted from DVB to DM&S on a case-by-case basis. However, I am not aware of a complete match to purge the eligibility file.

Mr. DAVIS. Are you aware in your audit procedures, then, when that information on a case-by-case basis was transmitted from DVB to DM&S—did they take any action on the information being transmitted to then secure or check the eligibility before services were rendered?

Mr. FURUKAWA. Yes, they did.

Mr. DAVIS. What action was that? How did they go about doing that?

Mr. FURUKAWA. Based on information obtained from DVB, the DM&S representatives would determine eligibility. Now, at the time of our early audit and, for the most part, for the period of both audits, it was a fragmented operation. Many of the—

Mr. DAVIS. What was a fragmented operation?

Mr. FURUKAWA. The determination of eligibility. The various medical centers were making these determinations. As a result, there was a lack of consistency.

Mr. DAVIS. So, there was no uniform basis. In other words, each facility was left up to its own devices to decide?

Mr. FURUKAWA. Yes. A lot of errors were made. I believe it was in October of 1986 that the central registry was established in

Denver, and, from that point on, they were making a centralized decision.

Mr. DAVIS. Under whose control is the central registry in Denver?

Mr. FURUKAWA. DM&S.

Mr. DAVIS. So, from 1986 on, the problem of eligibility has been solved or has been lessened? Is that what you are telling us?

Mr. FURUKAWA. It has been lessened. It still does exist, in our opinion.

Mr. DAVIS. How does it exist, then, if the central registry is effective?

Mr. FURUKAWA. Because the central registry is working with information that, in some cases, is outdated and inaccurate.

Mr. DAVIS. Have there ever been attempts on the part of the Inspector General to nudge DM&S or to nudge the VA in general and its legal counsel to seek litigation to recover the dollars that were lost through ineligible benefits being paid?

Mr. FURUKAWA. Yes, sir. We did make that recommendation.

Mr. DAVIS. Do you know if they are implementing that?

Mr. FURUKAWA. To a limited extent.

Mr. DAVIS. What does that mean, Mr. Furukawa? I speak English and I understand English, but I sometimes don't understand bureaucratic English.

Mr. FURUKAWA. Well, as we reported in our most recent report, very little has been done in terms of recovery of payments to ineligible beneficiaries or attempts to recover from third parties.

Mr. DAVIS. Is that because there were very few with third party liability recoverables, or is it that they were indigent, or what is the reason it is not really being pursued?

Mr. FURUKAWA. It is because of a lack of action in pursuing recoveries.

Mr. DAVIS. Okay. Thank you.

Mr. FURUKAWA. The process was not working effectively.

Mr. EVANS. We have gotten a little bit into your testimony and I will give you an opportunity to present your testimony in a minute. I still do have questions I would like you to answer in regard to a joint statement being issued.

Is it true that you didn't review the joint IG-DM&S statement before it was submitted to the committee?

Mr. MORANI. I did review it. We did have a copy of the final prior to the release and we looked at it. From the standpoint of reducing redundancy, we had another draft that repeated much of the information in the beginning, and we concurred with the acknowledgement of the audit results in the DM&S testimony draft.

Mr. EVANS. Was testimony submitted to this committee by your office first submitted to general counsel?

Mr. MORANI. General Counsel assists us administratively in the preparation of all our hearings.

Mr. EVANS. Could this possibly suggest or give the appearance of a lack of independence?

Mr. MORANI. I don't believe so. Their suggestions are more or less related to the legislative process to ensure as to format and content consistency and to detect any errors. To my knowledge, we have never had any deletions, suggestions, or any type of independ-

ence question in this process. They are our counsel as well. We don't have any special counsels in the Office of the Inspector General. We use their office for assistance.

Mr. EVANS. Between the receipt of a request to testify before the committee and the submission of the actual statement, could you identify each action taken by someone who is not employed by the Office of the Inspector General in the preparation of that testimony?

Mr. MORANI. The final review would be the only action on release outside of our office.

Mr. EVANS. So, the General Counsel is the only person to review this testimony, the people from his office?

Mr. MORANI. I think DM&S also reviewed our testimony. We coordinate testimony throughout the principal departments and key it with the General Counsel.

Mr. EVANS. If there is a benefit to be gained by submitting a single statement representing the views of both your office and DM&S, why wasn't the single statement submitted by the IG with the DM&S concurring, and does DM&S object to your prepared testimony that you gave today?

Mr. MORANI. On the first question, where we find that the audit results or investigative results are accepted by the departments, the departments then take the responsibility for explaining corrective actions or the problems with corrective actions. It would seem to apply more for them to prepare testimony since the questions of the committees or other parties would be what corrective actions have been taken rather than resolution of audit matters.

On the other side, where we have differences in audit matters and we are defending those, then we would then prepare testimony to justify and defend the audit results or the investigative results.

Mr. EVANS. You have talked about administrative convenience or administrative expediency. What is it, why is it important, and whom does it serve?

Mr. MORANI. Well, in this particular case, it was to assist us in expediting testimony utilizing the results of our reports for the testimony by DM&S. Those results were, as I mentioned, concurred in. We didn't have any difficulties in resolution of the audit reports—only in the corrective actions to be taken or the lack of corrective action taken during the ensuing period.

Mr. EVANS. All right. We thank you, and, at this point, I would like to recognize you to give your testimony. We appreciate your answering those questions concerning the testimony itself.

STATEMENT OF RENALD P. MORANI, ACTING INSPECTOR GENERAL, THE VETERANS' ADMINISTRATION; ACCOMPANIED BY KENNETH T. FURUKAWA, ASSISTANT INSPECTOR GENERAL FOR AUDITING

Mr. MORANI. Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the results of our past audits on the management of the Civilian Health and Medical Program of the Veterans' Administration, commonly called the CHAMPVA program.

During 1982, the Office of Inspector General performed two audits of the CHAMPVA program. These audits identified several program weaknesses. The main weakness was the large number of ineligible persons receiving CHAMPVA benefits.

We recommended at that time that the program be strengthened by preparing an accurate, automated listing of eligible beneficiaries and by participating in the DOD defense enrollment eligibility reporting system, commonly referred to as DEERS.

The Department concurred at that time with the recommendations and provided us appropriate implementation plans.

In 1987, we performed a follow-up audit of the CHAMPVA program. Our report on this follow-up audit showed that the primary problem still centered in recipient eligibility. We found that the number of ineligible persons receiving CHAMPVA benefits had increased from 15 percent to about 28 percent during fiscal years 1983 through 1986. We estimated that the VA paid about $41 million for their care and about $2 million in administrative costs for processing their claims.

We also determined that in fiscal years 1987 and 1988, the VA would likely spend an additional $30 million for services to ineligibles. Also, we found that adequate procedures for pursuing CHAMPVA third party liability cases to collection or other resolution still needed to be established. In addition, a system of internal controls to assure that CHAMPVA benefits are properly paid and the agency resources and interests are adequately protected was still needed.

Program officials concurred with the follow-up audit's conditions and recommendations at that time but did not provide specific proposals to correct the problems as reported. Since then, detailed implementation plans have been provided that should result in satisfactory resolution of the problems noted in our audit and should bring the CHAMPVA program under control.

Mr. Chairman, that concludes my oral statement. We will be pleased to respond to any questions you may have, and I ask that the full statement be included in the record.

Mr. EVANS. Without objection, your statement will be included in the record in its entirety.

[The prepared statement of Mr. Morani appears on p. 52.]

Mr. EVANS. Has CHAMPVA been a low priority program for DM&S? In 1982, the audit issued then stated that DM&S officials stated that CHAMPVA has always been a low priority program.

Mr. MORANI. We have had that statement made to us officially, that it was given low priority during the interim period.

Mr. EVANS. In the six years since 1982 is it still a low priority program?

Mr. MORANI. One of the responses we receiving regarding the problems existing was that it had been given low priority, yes, sir.

Mr. EVANS. When was that statement given to you?

Mr. MORANI. I would have to check the record, but we have it in our files.

Mr. EVANS. With the cost escalation in this program and the waste that we have seen with ineligible beneficiaries it is still a low priority in terms of implementation. Now the VA is asking for 133 more people to implement it?

Mr. MORANI. I think the point that they made at the time, probably following our 1982 audit—and I can check the date specifically—there was a statement that the reason for some of the problems was the low priority given to the program. I am not sure whether that was a statement made sometime during the 1987 audit process.

Mr. EVANS. In 1982, your office issued two audits on the administration of the program. DM&S concurred with nearly all the recommendations in those two audits. Have any of the recommendations made in 1982 still not been fully implemented by the Department, and which recommendations haven't been?

Mr. MORANI. The recommendations between the two audits are very similar. Recommendations were made to develop a reliable eligibility list, and that is still our recommendation in 1987, and that is the primary effort that needs to be done.

Mr. EVANS. Does it usually take six years for this department to implement IG recommendations?

Mr. MORANI. I wouldn't think so, sir.

Mr. EVANS. Can you cite any other instances in which it has failed to completely implement recommendations after six or more years in any other area?

Mr. MORANI. Not to my knowledge. The follow-up process was established in 1983.

Mr. EVANS. Has the IG ever discussed internal controls within the Department with regard to standards and quality controls?

Mr. MORANI. On the CHAMPVA program?

Mr. EVANS. Yes.

Mr. MORANI. Yes, sir.

Mr. EVANS. What was the response of the Department?

Mr. MORANI. I would have to check the record on that. The CHAMPVA program has been discussed probably in the follow-up process for our audits.

Mr. EVANS. Have there been any internal or quality control standards implemented by the Department? Do you know what they are? Could you describe them?

Mr. FURUKAWA. Very few, Mr. Chairman. There have been attempts. There has been some correspondence indicating that certain actions would be taken, but in terms of the effectiveness of those actions, I would have to say that very little has been done.

Mr. EVANS. In 1982, your office said the program was basically a benefit program, not a medical program. Transferring CHAMPVA from DM&S to DVB was recommended and several benefits of this transfer were cited. Do you still recommend the transfer to DVB today?

Mr. MORANI. The position that was taken in 1982 in terms of DVB's ability to determine eligibility which was the most significant condition noted still exists in 1987. To the extent that the provisions permitting DVB to establish eligibility existed in 1982, it might still be a consideration currently.

Mr. EVANS. Is there any accurate, up-to-date master list or inventory of eligible CHAMPVA beneficiaries, and how accurate and up-to-date is that list?

Mr. MORANI. I would like to refer that question to Mr. Furukawa.

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Mr. FURUKAWA. The central registry in Denver is in the process of purifying their list of eligibles. They have made some inroads. I think they have deleted approximately 32,000 ineligibles from their list as of the time of our audit.

However, even reviewing their purified list, although we recognize it was not completely purified, we took a sample of the work they had done, and found that approximately 18 percent still remained ineligible. So, there still is a lot to be done in terms of purifying the list.

Mr. EVANS. And some of these people aren't even related to veterans. Is that correct? These are ineligible people you have found in your audit that have no, as I understand it, plausible reason for claiming benefits because they are not even related to a veteran or a deceased veteran?

Mr. FURUKAWA. That is correct, sir. We were unable to determine any link between the beneficiary and the veteran.

Mr. EVANS. How can this happen? How, in your opinion, does a person who is not even related to a veteran get the help of this program? That must be criminal defrauding of the United States.

Mr. FURUKAWA. In some cases, I suppose that could be happening. I doubt that there are very many in that category occurring at the present time with the centralized registry, but I can see where, in the past, when the responsibility for determining eligibility was fragmented, because of lack of familiarity with the program and the eligibility requirements, there could have been people who absolutely were not entitled to a CHAMPVA card who received one.

Mr. EVANS. How does it happen that a person who is not related to a veteran in any way stumbles into this system? How does a person get through whatever minimal eligibility safeguards there are? How does that occur? It really astounds me that someone could get benefits out of the Federal Government without having any kind of relationship to a veteran or a deceased veteran.

Mr. FURUKAWA. I can't give you any specifics, sir, on how these might have happened. I believe DM&S might be in a better position to explain how this could happen.

Mr. EVANS. Did you ever look into that specific issues itself?

Mr. FURUKAWA. Not to that degree, no, sir.

Mr. EVANS. And you don't think there are many at this time that are in that category?

Mr. FURUKAWA. It is my belief that, under the present system where the eligibility is determined centrally, it would be less likely to happen.

Mr. EVANS. But you did find some in your last audit?

Mr. FURUKAWA. Yes, but those could have been carry-overs from the previous process.

Mr. EVANS. All right. At this time, I will recognize Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman.

One question leads to another, Mr. Furukawa. I was astounded. Now, we are into criminal fraud. Now, we are into perjury, and, now, we are into people approaching the VA and accepting benefits with no link whatsoever. They have obviously perjured themselves somewhere along the line.

Have any of these people ever been turned over to the appropriate authority such as the U.S. Attorney for prosecution? You

talked about not vigorously pursuing collection of third party liability and of the claimant themselves who was ineligible. Has anybody used the lever out of the U.S. Attorney's office to do that?

If you approach the VA and you have absolutely no eligible or no possible link, you are obviously, someplace along the line, by your application, perjuring yourself, are you not? Isn't there some affirmative action somewhere that you have to take as a claimant to swear that the truth is the truth and that you have done that under the penalties of perjury? And if that is so, why haven't prosecutions taken place?

Mr. FURUKAWA. It would appear that if what you say is correct, perjuries might have occurred. In terms of actions being taken or taken in the past to actually pursue these cases, I am not aware of any.

Now, I must qualify that.

Mr. DAVIS. Did you recommend that that avenue be explored?

Mr. FURUKAWA. No, I don't think we recommended prosecution. What we did was to recommend that they identify those people who were ineligible and pursue recovery actions.

Mr. DAVIS. I know, but did you recommend to them that prosecution—that is a poor choice of words—that pursuing recovery also included a strong leverage point which is a Federal indictment? Do you know that they tried to do that? Do you know that anybody has ever said we are going to throw you in the slammer because you did a bad thing here? Did they do that?

Mr. FURUKAWA. Not to my knowledge.

Mr. DAVIS. That is all the questions I have.

Mr. EVANS. Mr. Applegate?

Mr. APPLEGATE. Thank you very much.

Just sort of pursuing that line of questioning, the more that is said begets more to be said, and I am concerned about it, because when I look at going from 15 to 28 percent in a four-year period, we are talking about 55,000 people that get on the rolls. It is very clearly defined as to who is eligible, and it isn't that you tried to establish anything by degrees or anything like that. You either are or you aren't.

Mr. MORANI. Yes, sir.

Mr. APPLEGATE. You are either disabled or you are married to them or children of them or you are deceased. I mean, that isn't really hard to establish, and I just don't understand how that could possibly happen.

However, what I would like to have are some clear cut examples if not individuals that are ineligible who are receiving the benefits, and it seems to me that if we know that there are 55,000 of those people out there who are ineligible and receiving the benefits, then, apparently, we know who those people are. If we know who those people are, then they should be prosecuted as Mr. Davis has suggested. Definitely, if we know who they are, they should be taken off the rolls right away, because we can save a heck of a lot of money.

The only other thing that I would like to say perhaps may be the solution to this whole thing. I don't know whether legislation may be necessary, but maybe it would. We could require that CHAMPVA be placed under the DVB and taken out of DM&S, be-

cause DVB are the ones in the first place who determine the eligibility. I guess the Department of Medicine and Surgery just certifies them for the benefits.

Has that suggestion been made?

Mr. MORANI. A recommendation along those lines was made in 1982 for transfer of the program from DM&S to DVB. The Administrator at that time resolved that issue by deciding that the program should remain with DM&S.

Mr. APPLEGATE. Who made that determination?

Mr. MORANI. The Administrator, Mr. Walters.

Mr. APPLEGATE. The Administrator at that time?

Mr. MORANI. Yes, sir.

Mr. APPLEGATE. And he was very much aware of the gross inadequacies and inequities and the problems that were taking place at that time? Had he looked at audits to know that there was a big problem there?

Mr. MORANI. He was aware of our audit at that time, yes, sir. I don't know beyond that what he was aware of, but our report was issued to him.

Mr. APPLEGATE. And he still made the determination that it ought to stay the same. What was his rationale? Do you have any idea?

Mr. MORANI. No, sir.

Mr. APPLEGATE. Well, that would be interesting to know, but I would like to get some clear cut examples of people who can be declared eligible for benefits outside of the two criteria that are listed.

Mr. MORANI. Part of the explanation that I think might help in terms of ineligibles appears in our first audit where we sampled the eligibility determinations that were made at eight medical centers and eight regional offices. That first audit showed that there were tremendous inconsistencies in the eligibility determinations by different medical centers.

In the test of, I believe, 22,000 that we made showed that there were problems of understanding the program and understanding the eligibility requirements probably on both sides, both within the medical center by the people reviewing the applicants as well as the applicants' understanding of what they were entitled to. That was primarily the result of the first audit.

In the audit following that, we pointed out problems in the process. We sampled the total system to determine ineligible payments to associate a dollar value with them. It was clear even in the second audit as to the number of ineligibles, but now it was on a national basis.

So, the follow-on audit was more concerned with what the level of payments was that were being made to ineligibles than what was the cause creating the ineligible recipients which was done in the 1982 audit.

Possibly, we should reaffirm that those particular recipients may have falsified an application or there were other inaccuracies or errors that created the ineligibility.

Mr. APPLEGATE. I think we ought to get cracking and find out who falsified and prosecute and take the rest of these people off the rolls and save the taxpayers the money that it is costing them.

However, do you think if we take this and put it under the DVB, as you recommended—or, at least, the IG did at that time—that would be a great step in the right direction?

Mr. MORANI. Well, with the provision that eligibility determination was the primary cause of the problem and that the records within DVB established eligibility, yes, sir.

Mr. APPLEGATE. Okay. Then, I think that is what we ought to do. After we can make a determination, after we have checked all of this out as best we can, we should put legislation together to do that.

Mr. EVANS. Thank you. That is something I think we are going to need to look into.

Let me ask you a few more follow-up questions on eligibility. What is the current number of CHAMPVA beneficiaries and how many are eligible?

Mr. MORANI. That is a good question. Our best estimate, based on the 1987 sample that we made our audit tests on, was about 200,000 in the payment file. I understand since the establishment of the central registry center, a number of those have been eliminated. I think it was stated up to 32,000.

So, there may even be something less than that at this time with the records being purged. I don't have a more current estimate than what we did during the audit.

Mr. EVANS. We would like it if you could get us some more current estimates. That would be useful to us.

[Subsequently, the Veterans' Administration submitted the following information:]

We estimate that as of October 1987, there were about 250,000 potentially eligible CHAMPVA beneficiaries.

Mr. EVANS. Now, if I recall, Mr. Furukawa indicated that, recently, the percentage of beneficiaries estimated to be ineligible was 18 percent. Is that correct?

Mr. FURUKAWA. That is correct. That was as of the period of our audit. What it might be today I am not in a position to say.

Mr. EVANS. Do you recall the percentage estimated to be ineligible in 1982 and 1987?

Mr. FURUKAWA. In 1982, we reported that the percent of ineligibles was approximately 15 percent.

Mr. EVANS. 15 percent?

Mr. FURUKAWA. Yes, 15 percent.

Mr. EVANS. And in 1987?

Mr. FURUKAWA. In 1987, we reported that it was approximately 28 percent.

Mr. EVANS. So, the percentage has gone up.

Mr. FURUKAWA. Since the previous audit, yes, sir.

Mr. EVANS. So, you had an audit in 1982. The percentage then was lower. After making recommendations, the percentage of ineligibles actually went up.

Mr. FURUKAWA. That is correct.

Mr. EVANS. And the numbers went up, obviously, in this program. Has the cost of benefits for ineligible beneficiaries changed between 1982 and 1987? It must have gone up, I assume.

Mr. FURUKAWA. It has gone up, yes.

Mr. EVANS. How accurate is CHAMPVA eligibility determination? In comparison, how accurate are DVB eligibility determinations?

Mr. FURUKAWA. We did not make a comparison from that standpoint, but I think it stands to reason that since the basic files are maintained by DVB, any effort to purify the files that DM&S maintains—that information would have to come from DVB. So, from that standpoint, I think it stands to reason that the DVB files would be more accurate.

Mr. EVANS. The subcommittee requested a representative of DVB to be present today. I understand Mr. Hickman, Assistant Director for Policy, Planning, Compensation, and Pension Services, is here. I would like to ask him to come forward if he is, in fact, here.

Mr. Hickman, thank you for appearing before us. I understand DVB makes many eligibility determinations. How accurate are those eligibility determinations made by the Department and what is the error rate tolerated in DVB eligibility determinations?

Mr. HICKMAN. I believe our grant rate is exceedingly proficient. We go through an exercise in which a three-member board makes these decisions on whether the death is service-connected or the veteran is totally disabled. There is extensive review not only within the regional offices but within Central Office itself.

I am unaware of any reports in this area subject to criticism either internally or externally. So, I am very confident of the decisions we make.

Mr. EVANS. Do you have any error rating percentage?

Mr. HICKMAN. In this particular category? I know of no particular error rate, but our error rate overall for all cases—we try to keep it between 3 and 5 percent.

Mr. EVANS. Could you submit that for the record?

Mr. HICKMAN. I will do that, yes, sir.

(Subsequently, the Veterans' Administration submitted the following information:)

The types of decisions that would form the basis of a determination of CHAMPVA eligibility are made by a rating board consisting of two rating specialists and one physician. These decisions are subject to the DVB's Systematic Quality Control program. Basically, two types of erors could affect CHAMPVA elgibility: a substantive error and a material deficiency. A substantive error, in this context, would be denial or grant of the basic condition when the correct action would have had the opposite result. A material deficiency is an action or failure to take action which is not so erroneous as to be considered a substantive error but is reflective of a material deficiency in application of pertinent laws and regulations. A material deficiency usually exists whenever a different action would be more tenable. The error rates for the rating activity for Fiscal Year 1987 in the substantive and material areas follows:

Quality: Cummulative for previous 12 months

[Fiscal Year 1987]

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Rating—Percent rate per 100 cases:				
Substantive		1.57	1.58	1.43
Material		1.83	1.78	1.71

Mr. EVANS. Now, if Congress were to make DVB responsible for administering CHAMPVA, would your department consider it a low priority?

Mr. HICKMAN. I think if Congress issued any direction, we would consider it a high priority. However, I think that the process which DM&S currently is establishing with the assistance of our data base would be sufficient to satisfy Congress' desires.

Mr. EVANS. How much time would it take for your department, if we did transfer that responsibility, to establish an accurate, up-to-date master list of individuals eligible for this program?

Mr. HICKMAN. I would have to do research on that. I have no idea at this time. I know that DM&S has done extensive work at this time purifying their list, so we would really have to piggy-back on their backs if this thing were turned over to DVB.

Mr. EVANS. You don't have any estimate—two years, six years, or what?

Mr. HICKMAN. I could not—I would have to supply something for the record. I would have no idea how long it would take us. We have not researched into that area before.

Mr. EVANS. Thank you.

Mr. Davis, do you have any questions?

Mr. DAVIS. Yes, Mr. Chairman.

Mr. Hickman, now I am even more confused than I was before. That is not unusual for me. Nevertheless, let me get this straight. I thought you were the originator of the data base for eligibility to DM&S. Is that not correct?

Mr. HICKMAN. We are the data base for the payment of VA benefits, compensation, or pension. From that data base, DM&S could use that in their determinations of whether somebody is eligible for the CHAMPVA program.

Mr. DAVIS. You don't determine eligibility, then, for CHAMPVA. All you do is supply information in support of eligibility.

Mr. HICKMAN. That is correct, sir.

Mr. DAVIS. Did you—and I asked this question of the IG inappropriately, perhaps—but did you as DVB supply DM&S master eligibility lists on two separate occasions? Yes or no?

Mr. HICKMAN. May I qualify my answer?

Mr. DAVIS. Sure.

Mr. HICKMAN. In 1986, according to our records, we did supply a data base to them. My understanding is they were not ready to process it. They have recently come back and requested another data base which we are in the process of providing to them.

Mr. DAVIS. They were unable to process the 1986 list that you furnished gratuitously, or did they ask for that as well?

Mr. HICKMAN. They asked for it as well.

Mr. DAVIS. Okay. And they didn't have the software or what?

Mr. HICKMAN. I do not know what the complications were, but at that time, they could not use it.

Mr. DAVIS. They didn't use it. We know that. They didn't use it.

Mr. HICKMAN. And they have requested another data base which we are in the process of providing.

Mr. DAVIS. Thank you.

Mr. EVANS. I want to thank you all for testifying and answering our questions. We will be submitting a number of written addition-

al questions to you. They will become a part of the official record of the hearing.

Also, because of your interest in the issues, we would like you and Mr. Furukawa to be present for the remainder of the hearing if you can.

Mr. MORANI. We can and we will.

Mr. EVANS. Thank you very much.

Our next witness is Dr. Daniel Winship, Assistant Deputy Chief Medical Director for Programs and Operations. Dr. Winship is accompanied by Mr. Robert Perreault, Director of the Medical Administration Service of the Department of Medicine and Surgery; and Mr. Ralph Ibson, Deputy Assistant General Counsel.

At this time, you may present your opening statement. Your prepared statement, of course, will be fully included in the record, so you may summarize or proceed in any manner in which you desire.

STATEMENT OF DANIEL H. WINSHIP, M.D., ASSISTANT DEPUTY CHIEF MEDICAL DIRECTOR FOR PROGRAMS AND OPERATIONS, VETERANS' ADMINISTRATION; ACCOMPANIED BY ROBERT A. PERREAULT, DIRECTOR, DM&S MEDICAL ADMINISTRATION SERVICE, VETERANS' ADMINISTRATION, AND RALPH J. IBSON, DEPUTY ASSISTANT GENERAL COUNSEL

Dr. WINSHIP. Thank you, sir.

Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the civilian health and medical program of the Veterans' Administration, or CHAMPVA.

On my left is Mr. Ralph Ibson, Deputy Assistant General Counsel. On my right is Mr. Robert Perreault, Director, Medical Administration Service of DM&S.

When the CHAMPVA program was first established, the Administrator exercised the option to enter into an agreement with the Secretary of Defense under which DOD would jointly administer both its own CHAMPUS program and the CHAMPVA program for VA beneficiaries. Under this arrangement, VA reimbursed DOD for the services it provided.

While the decision to set up the program through a reimbursement arrangement with DOD had the advantage of a relatively quick start-up compared to other options, it had the disadvantage of sharing program administration with another agency. VA retained for itself the role of determining eligibility for benefits.

Hindsight, however, has underscored for us the flaws in that approach. The IG audits of this program have identified problems that can be traced to the seemingly straightforward decision to have CHAMPVA eligibility determinations made at individual VA medical centers in a manner similar to the way VA determines eligibility for other medical benefits.

The defect in that approach was that personnel in 172 different VA medical centers were tasked with making these new eligibility determinations applicable to only a relatively small number of persons. VA personnel made errors in determining CHAMPVA eligibility and failed to verify continued entitlement.

These errors were compounded by the prospective beneficiaries' own unfamiliarity with the CHAMPVA law. In retrospect, then,

the legacy of the flaws in the original program design has been a distressingly high incidence of enrollees who are not now and, in some cases, may never have been eligible for VA-sponsored care.

We credit the IG for highlighting problems in the administration of this program. In an effort to begin to set the program on a sounder footing, we developed a proposal in April of 1985 to centralize all CHAMPVA administration processing at Denver. In essence, we are reverifying the eligibility of all those on the CHAMPVA rolls.

We set out to systematically reverify enrollment by concentrating resources in a single, central CHAMPVA registration center, or the CCRC, at the Denver VA medical center in Colorado. In our view, VA's soon to be completed full implementation of that proposal will fulfill what we view to be the key recommendations of the IG's initial audit reports. This new approach will replace the fragmented enrollment process formerly in operation at individual VA medical centers.

The new central CHAMPVA registration center is making steady progress in tackling a big job. Since late in 1986, the center has developed the computer capability to use predetermined data from tapes maintained from the VA's compensation and pension benefits program as the modified CHAMPVA data base. This capability and anticipated direct access to the VA Department of Veterans' Benefits' TARGET system will provide the means for assuring and maintaining accurate eligibility rolls.

The IG also recommended we participate in DOD's DEERS system as an effective means of providing accurate information to fiscal intermediaries. This recommendation will be implemented after the central files of the CHAMPVA program have been purged of ineligibles. This commitment will ensure appropriation information availability with the fiscal intermediaries until the VA's payment center is operational.

In essence, our plan is to establish a centralized procedure to allow the VA, for the first time, to assume full administrative responsibility for the payment or reimbursement for costs of CHAMPVA care rendered to eligible VA beneficiaries. Overall, we plan to develop a financial management and fiscal accounting system to control amounts disbursed, allow the VA to assume full control over both eligibility and program expenditures, and to simplify the claims processing procedure to be more responsive to beneficiary needs.

Mr. Chairman, we do not suggest that we have completed all needed actions in what amounts to a total overhaul of this program. We have taken important steps, however. We now have a qualified, knowledgeable staff dedicated entirely to CHAMPVA. We are committed to bringing the program under control and are in the process of appointing a full-time program manager.

An important next step certainly is to develop and institute a system of internal controls to assure conformity with the requirements of the Federal Managers Financial Integrity Act and with sound management principles. In recent discussions with the IG, it has been agreed that we are proceeding in a manner that will achieve acceptable solutions.

Mr. Chairman, this concludes our formal testimony. My colleagues and I would be pleased to respond to any questions that you or other members of the subcommittee may have.

[The prepared statement of Dr. Winship appears on p. 46.]

Mr. EVANS. Thank you for testifying and coming before our subcommittee today.

You said that the IG agrees that you are moving ahead, I guess in a prudent manner. Yet, they testified that there is a feeling that this is a low priority program in your department. Your testimony contains a number of phrases like "we expect," "we plan to develop," "anticipated direct access," "soon to be completed," "will fulfill," "next step," and "will achieve."

I have absolutely no quarrel with your choice of words, but these are all words of actions and events which may or may not take place some time in the future. It has already been six years since the first IG audit was issued. Can you please tell us exactly what your department has actually done and completed at this point to improve the administration of CHAMPVA, not what you plan to do or what you may do but what you have actually done?

Dr. WINSHIP. Yes, sir, I will be happy to. Progress—well, we have developed the CCRC, as we indicated. That was proposed in 1985, and it became a fact in October of 1986.

In December of 1986, the first task was to go about purging the records and to make our eligibility records as clean as possible. In December of 1986, all of the DM&S field facilities that had CHAMPVA records mailed all of those records to the CCRC in Denver.

By May 20 of 1987, the CCRC staff had completed the first real hard copy preparatory review using existing documentation or DVB recertification in pre-1987 entitlement documents. This was the first pass.

On December 21, 1987, we arrived at an agreement with the DVB that we would have access to their TARGET system. This is a fundamental eligibility data base that DVB has. We have negotiated access to that.

In February of this year, we had completed an initial tape-to-tape interface with the DEERS system for eligibility with the DOD of appropriate persons. That has been completed.

The VA and the DEERS group has agreed that a second tape match will be done, and that tape match will be done for further cleaning of our eligibility rolls this month, before the end of this month.

We have established a CHAMPVA task force, a group of persons from Central Office and the field knowledgeable in this area who will help guide the direction. This is to illustrate an increased priority that we have in this program.

So, you see that we are right in the midst of a very major effort toward purging the rolls. Part of the problems that you have heard are indicative of the fact that those rolls are not completely purged. We are in that process, and we believe that is moving forward.

Further, in March, we have a completion date for the CCRC data input. We expect those data to be completed this month.

We then expect the first of probably several interfaces with the DVB eligibility tapes, the compensation and pension examination tapes.

Those are the efforts that we have arrived at so far, and we have further plans for the future.

Mr. EVANS. What we have had in the interim, however, is an increase in the number of people generally in the program, an increase in the percentage of ineligible people, and a huge skyrocketing of the costs.

Dr. WINSHIP. From 1982 to 1986, that is correct, sir.

Mr. EVANS. How can it be that this program could be anything but a low priority of your department when we have seen all these problems in this area? You said you have taken all these actions. Apparently, you don't have an up to date master list of eligibles yet developed. Is that correct?

Dr. WINSHIP. That is correct, but that is in process.

Mr. EVANS. You are in the midst of getting that list at this time, by reverifying, but a whole new group of people are coming into the system. Some people must be leaving it. You are talking about six years. A good many of the people from 1982 probably are out of the system now or should be unless they are in school through the age of 23, as I understand it. However, you have people being remarried and so forth.

Yet, with the IG audit, we see the numbers of ineligible people, percentage-wise and in a real sense, increasing. So, for all these activities, the actual impact of this is not only negligible; nothing at all has happened. So, we have had an increase in this problem.

How can that be? How can this committee have an impression other than this must be one of the lowest priorities of your department?

Dr. WINSHIP. I think that the facts are that, in the past, over the last several years, there is probably no denying that it has been less than a really top priority item.

I think also, however, if you look at what has taken place since the development of the proposal in October of 1985 and the development of the CCRC in 1986 and then the activities that have taken place since then, I think you can see a total shifting of gears, if you will, and a much higher priority situation. We have a lot of activity going on and a true dedication to getting the rolls in place and to getting this program under control. I think we have clear evidence of that.

Mr. EVANS. Let me recognize Congressman Davis for questions.

Mr. DAVIS. Thank you, Mr. Chairman.

Again, I am astonished. Mr. Hickman testified that you were provided with his data base list in 1986, and you were unable to receive or work it at that stage in time. Two seconds later, he said you have requested another for comparison purposes.

Yet, you seem to indicate that you are all the way through purging the list. I don't understand how all that happens. Perhaps you can enlighten me.

Let me ask you, then, one further question, and you can answer both, on the inconsistencies that apparently appear between your testimony and Mr. Hickman's.

Mr. Ibson, you are the Deputy Assistant Counsel for DM&S. Is that correct?

Mr. IBSON. One of a number of deputy assistants general counsel, sir.

Mr. DAVIS. What are you doing about getting the money back?

Mr. IBSON. We certainly recognize an obligation to recover debts.

Mr. DAVIS. I would hope that would be the case. What are you doing about it?

Mr. IBSON. Steps couldn't possibly be taken, sir, until the CCRC has completed its several phases in determining who in fact is or is not eligible.

Mr. DAVIS. You mean you don't know at this point? Any of them? You don't have any names?

Mr. IBSON. As I understand it, the process is not yet complete.

Mr. DAVIS. You don't have any names at all? You don't know who did it? How did the IG come up with the percentages, then? They seem to know. Why don't you?

Mr. IBSON. I can't speak to the IG's findings other than to reflect an understanding that they took a sample, sir.

Mr. DAVIS. This is most peculiar, Mr. Ibson. I just find this incredible.

Mr. IBSON. I can well understand your frustration, sir, and—

Mr. DAVIS. It is not frustration; it is, by God, anger. I don't understand it. How can one agency that oversees you have statistics that prove the data base is inaccurate or whatever, and it is increasing, and you tell me you don't know who they are?

Mr. IBSON. I think those findings prompted the kinds of actions that the department ultimately took.

Mr. DAVIS. All right. What are you going to do about getting that money back so we can give it to somebody who needs it and is eligible for it?

Mr. IBSON. Are you directing your question to me, sir?

Mr. DAVIS. Yes, sir. I assume you would be prosecuting this or pursuing it—I use the wrong word all the time.

Mr. IBSON. Let me amplify on my earlier point. Our district counsel's offices, our legal counsel throughout our system, would undoubtedly be working closely with the department in initiating recovery under a fairly extensive debt collection program.

Mr. DAVIS. Have you sought an IRS tape to compare with the Internal Revenue Service and your ineligibles to see if you can start keeping tax refunds and things of that nature to get the money back? Will you implement a plan like that?

Mr. IBSON. I am really not in a position to set plans at this point, sir.

Mr. DAVIS. Who is?

Dr. WINSHIP. Sir, I can comment on what we are planning along that line.

Mr. DAVIS. Oh, I asked the wrong man. I am sorry, Dr. Winship.

Dr. WINSHIP. I can make some comments about that. We have not sought IRS tapes at this time. However, what we intend to do or our plan of attack to this whole problem is to get our eligibility rolls in place as soon as we possibly can. That is where all of our efforts are going at the present time.

Once those are in place—and we expect that during this fiscal year. In fact, they are getting close. Once those rolls are in place, then we expect to look at the statistical sample that the IG used of those ineligibles, identify those ineligibles by name, and, on an individual basis, pursue reasonable efforts or attempt to determine a plan for carrying out reasonable efforts for that collection.

Mr. DAVIS. Well, why don't you guys just ask the IG who those people are? They seem to know. Or go back to DVB and ask them who the people are who are ineligible. Somebody knows and you don't. Let's get the money back.

Dr. WINSHIP. I think we will be able to tell who those people are. I don't believe that is the question.

Mr. DAVIS. Spokesmen for the department testified that they are not going to try to recover, because they are assuming the responsibility for the mistake. You are assuming the responsibility for the mistake.

That is a bunch of nonsense. You go get that money back. Somebody else needs that money.

Dr. WINSHIP. Maybe General Counsel should speak to this—but we believed that one major problem may be that many of these may be identified as administrative errors and, therefore, be our fault rather than the fault of the beneficiary or the ineligible person.

Mr. DAVIS. Wait a minute. You say somebody comes and makes a claim, and because you grant that claim, it is your fault and not the claimant who falsely and willfully and knowingly came forward and made a claim and you acknowledged the claim? We are talking now about those who have no link whatsoever to the Veterans' Administration, no link to a veteran. Are you telling me that you can't recover from those people?

Mr. IBSON. If I could interject, I think the point Dr. Winship is making is that these cases have to be handled, necessarily, case-by-case. We would anticipate that there will be numbers of cases where beneficiaries came forth in good faith with uncertainty about and, indeed, perhaps a mistaken belief in their eligibility. In the process of attempting to recover a debt that we believe occurred in such cases, we would necessarily have to make provision for the possibility of waiving that debt or at least referring the claimant's waiver request to a committee of waivers and compromises.

That committee would, in its deliberations, take into account the possibility that the agency may have erroneously misled the beneficiary. The beneficiary may have relied to his or her detriment.

Mr. DAVIS. But the beneficiary received services and got his gizzard fixed or whatever he had done on CHAMPVA and then found out he wasn't eligible. He owes that money back so somebody who is eligible can get it. I think you are just giving me nonsense, Mr. Ibson.

I don't want to appear to be badgering you gentlemen, but nobody seems to have been in charge over there in the last six or seven years, and now you tell you not only don't know who you gave it to in the past when other agencies testified this morning that they know who did, and you don't, and you are responsible for

a program, and now you tell me you can't get it back. I find that to be nonsensical.

Mr. IBSON. I am assuming instances where we are talking about widows in desperate financial circumstances. I am assuming the possibility—

Mr. DAVIS. My heart is compassionate, and I truly believe that there are extenuating circumstances. However, I also believe you have been ripped off. Large segments of the population came to you and ripped you off knowingly and wilfully, and you aren't doing anything about it.

Mr. IBSON. We are not prepared to say that there has been a knowing and wilful rip-off on the part of the spectrum of individuals who received these benefits. We need to take them one case at a time, sir.

Mr. DAVIS. Mr. Chairman, if I may make a comment, I must leave, and I hate that I have to go to another hearing that is going on as we speak. This hearing needs to be revisited later this year to find out what these gentlemen have done.

Mr. EVANS. I agree with the gentleman, and we will be looking, I think, at not only legislation but subsequent follow-up hearings in this subcommittee.

Mr. DAVIS. Yes, sir.

Mr. EVANS. I thank the gentleman for staying as long as he could.

Let me pursue a question. You gave us a worst case scenario of a widow who is probably not particularly apt at reading regulations. What about the instances of people who are unrelated to veterans receiving care? They must know they are not related to veterans. How do they get into the system?

I don't know how many there are, but the IG found numbers of those people, and simply to say that this is a mistake on the part of the VA and that we are not going to pursue those actions is surprising. The VA doesn't take that attitude to over-payments in GI Bill cases. So, how can it be that you take that attitude at least in the cases of people who aren't related to veterans and receiving benefits under this program?

Mr. IBSON. I don't think that is the department's or the agency's attitude. I think, as indicated earlier, we will deal with that question when we have a list and we are in a position to know that that was a case of fraud rather than a case of a remarried widow of an individual killed in action who, indeed, would be eligible for these benefits, sir.

Mr. EVANS. But have you pursued any cases in the courts yet of not the people that are basically taking advantage of the system, not the people that you find in this situation possibly because they just didn't know they were ineligible? Have you taken even one to court yet?

Mr. IBSON. I would be reasonably sure that cases of that kind have been referred to the Department of Justice. I have no personal knowledge of that, however.

Mr. EVANS. I would like you to submit to the committee, on a periodic basis, reports on your agency's recovery efforts. Please begin at the end of June and do it on a three-month period.

I would also like to mention the area of third-party liability. This is another area in which, some of the eligible beneficiaries as well as ineligible ones, had private insurance that could be pursued for paying these claims. This area has to be further pursued and I would also ask for the same kind of reports on a three-month basis, quarterly basis, in regard to your efforts there.

The audit of CHAMPVA by the IG in March of 1982 stated, "Once their award of coverage has been made, it will never be reviewed." Is that still accurate, and how often is CHAMPVA eligibility reviewed?

Dr. WINSHIP. I would ask Mr. Perreault to answer that, please.

Mr. PERREAULT. Mr. Chairman, that comment by the IG at that time was true, essentially. The fragmentation that the Deputy IG mentioned was individuals eligibility determinations were made at all VA medical centers through an entirely manual process, through a mailed process that took months, sometimes, to have paperwork come back and forth. Once a person's eligibility was determined, and ID card was mailed to the person and that file was filed down.

Simply and clearly, it was probably very seldom, if ever, checked again. As a consequence, that statement is true.

Mr. EVANS. How many individuals received a change in eligibility last year based on these reviews?

Mr. PERREAULT. Based on our recent reviews?

Mr. EVANS. Just last year.

Mr. PERREAULT. The number of people that may have changed in eligibility we don't know. The number of claimants in this particular program we don't know either. We do know that in our process to reverify eligibility on the claimants that we are aware of in the CHAMPVA program, we have identified approximately 30,000 who were ineligible.

Mr. EVANS. Have they been notified in any way that they are ineligible?

Mr. PERREAULT. Yes, they have.

Mr. EVANS. How did you notify them, and were they prevented from receiving further benefits under this program?

Mr. PERREAULT. They were notified by letter and requested to return their CHAMPVA ID cards. We originally proposed a process of providing a list of those ineligibles to O-CHAMPUS for their use to deny payments for claims made. We have had some problems in the O-CHAMPUS fiscal intermediaries' using those lists.

Mr. EVANS. Could these people if they haven't returned their ID cards still be receiving benefits?

Mr. PERREAULT. Potentially, yes.

Mr. EVANS. You would not notify their doctors whom you have paid in the past in terms of the ineligibility of the patient?

Mr. PERREAULT. In the VA, we have no specific knowledge of who the provider of the care was at all. That claim is made to fiscal intermediaries through O-CHAMPUS.

Part of our process when we finish the purge of this file is to hand off a complete list of eligibles to DEERS. The fiscal intermediaries do have access to DEERS. With that access, no payment should be made to an ineligible claimant.

Mr. EVANS. According to the 1987 audit, "the CCRC staff recognized the value of using TARGET and request access to the system. However, DM&S Medical Administration Service opposed this and did not assist the staff in gaining TARGET access."

Is that statement accurate?

Mr. PERREAULT. It was accurate at the time. There are a number of issues related to whether or not we were going—and it was a matter of interpretation. The reason that statement was made by MAS was because we were going to expand the file in our DHCP HINQ inquiry system which is accessing the TARGET system.

Mr. EVANS. Well, according to the Inspector General, "from 1982 to 1986, DM&S took no effective action to implement prior audit recommendations." Is that statement accurate?

Dr. WINSHIP. Mr. Chairman, I think that statement is subject to interpretation. We will admit that the actions that we took during that period of time, prior to our initiating the CCRC which began on October 1, 1986, were ineffectual kinds of actions, although we had taken some actions.

Beginning in October of 1986, however, we believe that the actions that we have taken and that we have underway are actions which will result in curing the problems of CHAMPVA.

Mr. EVANS. Is it a fact, then, that the CCRC is ineffective in doing this because you have identified these ineligibles and, yet, they still potentially are, despite the letters that they may have received, receiving benefits from the VA under this program?

Dr. WINSHIP. Let me clarify that just a little bit, please, Mr. Chairman. The cleaning up of the records, the purging of the records and the re-establishing of correct eligibility is a process that is taking and was expected to take a good many months. We are still in that process. We haven't completed that process yet.

The IG audit of 1987 was actually being carried out during the early phases of the CCRC activity when all we were doing at that time or all we could do was simply to collect information before we had even gone through the process of purging records. We have since been purging records and are taking step by step, in several phases, a re-refining and a re-defining of eligibility of these people.

We are not at the end of that process yet, and when we are, we believe that we will have and we expect to have an eligibility list which is as good as the DVB has, and we will be able to take definitive action with this group of persons. As we identify persons who are not eligible, we have begun to go ahead and let them know of that ineligibility and take them from our rolls.

Mr. EVANS. There was an audit in 1982. After that, your department evidently determined that CCRC was the way to go. So, you have had basically six years since then.

During this same period—call it foot-dragging, if you will—an estimated $42.9 million was paid for the care of ineligibles from fiscal year 1983 through 1986, with an additional $29.7 million going down the drain in fiscal years 1987 and 1988. That is the bottom line for which we seek a plausible or acceptable explanation from those charged with the responsibility of administering this program.

How do you answer that in response to the fact that it has taken six years and it has cost us literally millions of dollars?

Dr. WINSHIP. I think we have to admit that that, in fact, is the case, that it has been a program which has not been effectively dealt with. But we certainly believe that the initiatives that we have put in place, increasing the priority of this program beginning in October of 1986 and through 1987 and currently are dealing appropriately and effectively with the issue.

Mr. EVANS. At this time, I would recognize minority counsel for questions he may have.

Mr. KINGSTON SMITH. Thank you, Mr. Chairman.

Dr. Winship, I am aware that you are a relatively new arrival in Central Office. Who was the DM&S program official or officials who were directly responsible for the CHAMPVA program from 1982 to 1987? I get the impression from the testimony that nobody was really in charge.

Dr. WINSHIP. The program was in the Office of Administration. It was, for the last two years before I came, at any rate, reported to the Director for Operations. Prior to that, it was the ADCMD, the person who would have been my predecessor prior to the Director for Operations.

Mr. KINGSTON SMITH. Thank you.

Mr. EVANS. Would you identify any program controls that are still needed to be established?

Dr. WINSHIP. Yes, sir. We have developed a program of internal controls in keeping with one of the recommendations of the IG which is fairly extensive. The CHAMPVA data base, as I indicated, is becoming modified to the compensation and pension or TARGET data base of DVB. That is underway and will be completed within a very short period of time.

Mr. EVANS. What is a short period of time?

Dr. WINSHIP. We expect those tapes to begin to run—the tapes that indicate duplication and to begin to screen for ineligibles running this month with the DVB tapes.

Mr. EVANS. How long will it take for a complete run?

Mr. PERREAULT. Well, after we run the tapes, we will be able to identify those people immediately that are ineligible. It is a matter then of taking the process to remove them from the rolls. At that point, with the two matches that we have done with DEERS to identify those people who have been paid from CHAMPVA but were CHAMPUS eligibles, that list will also be purged from the data base, and this data base will then be handed off to DEERS so that it will be available to the fiscal intermediaries.

When that is done, there should be no payment to an ineligible, and we should be able to accomplish that before October 1.

Mr. EVANS. How long is the time frame for all that to happen?

Dr. WINSHIP. That will be completed by October 1. However, with each step of the way, we have a better data base which will be reducing the number of ineligibles and, therefore, be reducing the loss between now and October..

There are several other steps. The CHAMPVA indicator in the compensation and pension file that we will be using in the DVB's TARGET system automatically triggers changes in eligibility that have occurred.

These changes, then, are transmitted and will be transmitted regularly to the CCRC, and then appropriate action based on those

changes will take place. Every month now we have arranged that—every month or more often, on demand if necessary, the CCRC will receive complete reports on all of the categories of beneficiaries such as beneficiaries approaching their eighteenth birthday or approaching their sixty-fifth birthday, helpless children, changes in status, those kinds of categories, a whole list of those. We will get a tape on that every month.

The indicator from the TARGET system in DVB will generate a notice of change for each one of those beneficiaries if it is a change, a change in status such as divorce or death or marriage or achieving age 18 or 23 in the case of a student.

Then, we will informally notify each beneficiary of the impending change, any change that will affect the benefits, at any rate, and will perform then a monthly random sampling of beneficiaries against the TARGET inquiry to maintain an error free program. That will be the sampling.

Mr. EVANS. But in terms of program controls such as timeliness standards for eligibility determinations or error rates for the same thing, when are those program controls going to be implemented?

Dr. WINSHIP. They will be fully in place by October 1.

Mr. EVANS. By October 1?

Dr. WINSHIP. By October 1, but they will be increasingly in place between now and October 1. It is not that they will go right up to October 1, and then they will be in place. As we take each one of these steps, they are increasingly in place.

Mr. EVANS. In 1982, the IG requested the opportunity to review and analyze any proposed plan and associated guidelines, procedures, and cost data associated with the VA assuming responsibility for CHAMPVA claims processing and payment. Did you make that information available to the IG? Did you request an IG review and analysis, and what were the results in terms of expected cost effectiveness and efficiency?

Dr. WINSHIP. We have made this information available to the IG. We do not have an IG cost analysis of this. Our own internal cost analysis is favorable if we couple the cost analysis with—well, it is incomplete for this portion of the program.

Mr. EVANS. Is Mr. Morani still here?

Mr. MORANI. Yes.

Mr. EVANS. Could you come forward?

Have you done any such analysis at this point in regard to the VA's assuming that responsibility?

Mr. MORANI. No, we haven't. We haven't been asked to—we haven't been provided—to analyze that particular cost comparison.

Mr. EVANS. Could we have that analysis submitted for the record?

Mr. MORANI. We would be pleased to do it.

Mr. EVANS. All right. We would appreciate that.

[Subsequently, the Veterans' Administration submitted the following information:]

The Office of the Inspector General has not done a detailed cost/benefit analysis of the possible VA assumption of CHAMPVA claims processing that is now performed under contract with CHAMPUS and its fiscal intermediaries. However, we have reviewed the February 20, 1987, DM&S CHAMPVA combined Central Payment/Central Registration Center Proposal. As part of our review, we requested

from DM&S all supporting documents used to develop the proposal. DM&S provided copies of a few handwritten notes. Our analysis was based on our review of the proposal document, the limited supporting documentation, and discussion with the author of the proposal. The proposal did not adequately justify the need for a VA payment center, understated the costs and complexity of operating a claims processing activity, and did not address the identified program problems.

The proposal implied that OCHAMPUS will no longer process CHAMPVA claims for the VA as a result of the CHAMPUS Reform Initiative. The Director of OCHAMPUS has stated that OCHAMPUS will be able to continue providing claims processing services for CHAMPVA in the foreseeable future. In addition, the proposal alleged that the high rate of ineligibles in the program was due to the superficial quality of fiscal intermediary claims processing. The major vulnerability in the CHAMPVA program is the DM&S failure to provide OCHAMPUS FI's with timely, accurate, and complete eligibility information.

The proposal also contained some questionable assumptions and incomplete or incorrect data that were used in developing the costs of implementing a VA claims processing operation.

Estimates used to project savings did not consider the cost and workload reductions that should result from actions in process to purge the CHAMPVA rolls of ineligible beneficiaries. In addition, the number of claims used for Fiscal Year 1986 was understated by about 13 percent.

Claims processing staffing requirements were understated based on unrealistic assumptions for employee-claims procesing ratios. The proposal did not include adequate staffing requirements for such support functions as fiscal analysis, program integrity, quality asssurance, and ADP operations and programming. Salary cost data were inaccurate and grade requirements were underestimated for a number of jobs. Other costs, such as generation of reimbursement checks, were not included in the proposal.

The proposal did not provide adequate allowances for space, equipment (including the major expenditure for an ADP and communication system), and supplies.

The proposal's milestones seemed unrealistic. DM&S may not be able to develop operating procedures, develop ADP requirements, prepare the worksite, develop staffing requirements (including recruitment and training of personnel), transfer operations from OCHAMPUS, and begin on-line operations within the stated timeframe of 11 months.

The proposal called for claims processing simplification. The details of the proposal demonstrated a lack of understanding of medical care reimbursement claims processing and of the underlying complexity of the statutory medical care coverage of the CHAMPUS and CHAMPVA programs.

In conclusion, the proposal did not show that the payment center was cost-effective or would correct program weaknesses. In our opinion, this proposal should not be used by VA top management as a basis for considering a major opoerational change in the administration of CHAMPVA.

The Office of Inspoector General is currently performing an audit of the VA's capability to provide direct medical care to CHAMPVA beneficiaries using the resources of VA medical facilities not being utilized for the care of veterans. If this alternative is feasible and cost-effective, it should also be considered before changing the current method of providing care through private sources with claims processing contracted out to OCHAMPUS.

Mr. EVANS. I would like to recognize minority counsel once again.

Mr. KINGSTON SMITH. Thank you, Mr. Chairman.

To follow up on my question to you, Dr. Winship, would you please provide for the record the names of the program officials who were the incumbents in the positions you described in your answer to my question?

Dr. WINSHIP. I certainly will.

[Subsequently, the Veterans' Administration submitted the following information:]

Staff responsibility for technical advice and development of policy and procedure related to the administration of programs where medical services were provided by non-VA sources was assigned to: The Director of Medical Administration Service: Michael M. Lawson (1982–1987); Management responsibility for Medical Administration Service was assigned to the Assistant Chief Medical Director for Administra-

tion, Marjorie R. Quandt (1982–1986) and the Director for Administration, Mansell G. Piper (1986–1987); and Operational and line responsibility for these programs was assigned to the Associate Deputy Chief Medical Director, Dr. Dudley Earl Brown (1982–1985) and the Director for Operations, Mr. Robert E. Lindsey, Jr. (1985–1987).

Mr. EVANS. All right, Dr. Winship. I want to thank you and your staff for your appearance before this subcommittee today. Of course, we have a number of follow-up questions which we will submit to you in writing. These questions and your answers will become part of the official record of this hearing.

So, I thank you for testifying today.

Dr. WINSHIP. Thank you, Mr. Chairman.

Mr. EVANS. I have a few brief concluding observations.

Today's hearing has been very interesting. Unfortunately, it has not been very encouraging. Most of the testimony presented on CHAMPVA today provides no signal that the chronic and costly administrative problems which have plagued this program for so long will be promptly and fully resolved. Instead, we have been told about the nature of these problems once again and about the possibility that some action sometime in the distant future may take place.

That simply isn't good enough for this subcommittee. The record is clear: there are chronic deficiencies in the administration of CHAMPVA. The VA's response to these well-known problems has been inadequate and ineffective. I think my colleagues who were here today concur with that.

Continued mismanagement of this program is the norm. Continued mismanagement cannot and will not be tolerated by this committee. If legislation is needed, then appropriate legislation will be pursued, and a subsequent hearing by this Committee is also a very real possibility.

Finally, I am also very concerned that the IG testimony is reviewed by DM&S, that the IG testimony is reviewed by General Counsel for content, and that meetings are being held in preparation before the testimony is actually submitted by the IG. This issue may, in fact, receive further attention by this subcommittee.

So, again, I want to thank the witnesses who have testified here today, the staff on both sides of the aisle for their fine preparation, and, at this time, conclude the hearing.

The subcommittee stands adjourned.

[Whereupon, at 10:50 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

STATEMENT OF

HONORABLE LANE EVANS, CHAIRMAN

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

GOOD MORNING, WELCOME AND HAPPY ST. PATRICK'S DAY. TODAY, THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS IS MEETING TO REVIEW THE ADMINISTRATION OF CHAMPVA. CHAMPVA, OR CHAMP "V" "A" AS THIS PROGRAM IS SOMETIMES KNOWN, IS THE CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE VETERANS ADMINISTRATION. AUTHORIZED IN 1973, CHAMPVA PROVIDES 75% OF THE COST OF HEALTH CARE FURNISHED TO ELIGIBLE DEPENDENTS OF CERTAIN VETERANS. THESE INCLUDE:

(A) DEPENDENTS OF VETERANS WHO ARE PERMANENTLY AND TOTALLY SERVICE-CONNECTED DISABLED;

(B) DEPENDENTS OF DECEASED VETERANS WHO WERE RATED PERMANENTLY AND TOTALLY SERVICE-CONNECTED DISABLED AT THE TIME OF THEIR NON-SERVICE CONNECTED DEATH; AND

(C) THE SURVIVORS OF VETERANS WHO HAVE DIED AS A RESULT OF A SERVICE-CONNECTED CONDITION.

CHAMPVA IS CLEARLY AN IMPORTANT AND A NEEDED PROGRAM. THIS COMMITTEE FULLY SUPPORTS THE PURPOSE AND OBJECTIVES OF CHAMPVA. THE SAME CAN'T BE SAID FOR THE ADMINISTRATION OF THIS PROGRAM, HOWEVER.

IN 1982, THE VA INSPECTOR GENERAL REVIEWED THE ADMINISTRATION OF CHAMPVA. IN TWO AUDITS ISSUED THAT YEAR, THE IG REPORTED ON NUMEROUS SERIOUS ADMINISTRATIVE DEFICIENCIES. FOR EXAMPLE,

(A) THE PROGRAM LACKED THE DIRECTION AND CONTROLS NEEDED TO PREVENT PAYMENTS TO INELIGIBLE BENEFICIARIES;

(B) A SIGNIFICANT NUMBER OF INELIGIBLE BENEFICIARIES WERE LISTED ON THE CHAMPVA ROLLS; AND

(C) INELIGIBLE BENEFICIARIES WERE IN FACT RECEIVING CHAMPVA BENEFITS.

BECAUSE OF THESE PROBLEMS, MILLIONS OF DOLLARS WERE BEING SPENT BY THE VETERANS ADMINISTRATION TO PROVIDE HEALTH CARE TO INDIVIDUALS NOT ELIGIBLE FOR THIS BENEFIT. IN RESPONSE, THE DEPARTMENT OF MEDICINE AND SURGERY, WHICH IS RESPONSIBLE FOR ADMINISTERING CHAMPVA, PROPOSED TO TAKE NEEDED CORRECTIVE ACTIONS.

IN 1987, MILLIONS OF WASTED DOLLARS AND FIVE YEARS LATER, THE INSPECTOR GENERAL ISSUED ANOTHER AUDIT ON THE ADMINISTRATION OF CHAMPVA. THE RESULTS WERE FRANKLY INFURIATING. DM&S HAD NOT CORRECTED OBVIOUS ADMINISTRATIVE DEFICIENCIES, THE ANNUAL VA COST OF PROVIDING CARE TO INELIGIBLE CHAMPVA BENEFICIARIES HAD INCREASED DRAMATICALLY AND THE PERCENTAGE OF INELIGIBLE BENEFICIARIES RECEIVING CHAMPVA BENEFITS HAD NEARLY DOUBLED.

FOR FIVE FULL YEARS, THE DEPARTMENT OF MEDICINE AND SURGERY HAD CONSISTENTLY FAILED TO MAKE THE ADMINISTRATIVE IMPROVEMENTS THAT WERE SO OBVIOUSLY NEEDED. WHY DID DM&S FAIL SO COMPLETELY? I CAN'T FIND ANY REASONABLE EXPLANATION. I HOPE SOMEONE WILL BE ABLE TO ANSWER THAT QUESTION TODAY. THOSE WHO WERE RESPONSIBLE FOR ADMINISTERING THIS PROGRAM PRESUMABLY HAD ENOUGH ABILITY, SO IT'S NOT A QUESTION OF COMPETENCE. MAYBE THEY SIMPLY DIDN'T CARE. WHAT LITTLE THAT WAS DONE, AND IT WASN'T MUCH, HAD THE SAME PRACTICAL EFFECT AS REARRANGING THE DECK CHAIRS ON A SINKING SHIP. IF ANYONE REPRESENTING THE VA TODAY PLANS TO RECITE A LIST OF INITIATIVES AND ACCOMPLISHMENTS DURING THOSE FIVE YEARS RELATED TO IMPROVING THE ADMINISTRATION OF CHAMPVA, YOU STILL HAVE THE OPPORTUNITY TO RECONSIDER YOUR TESTIMONY.

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MAYBE I SOUND DISSATISFIED AND IMPATIENT THIS MORNING. FRANKLY, I AM. OUR COMMITTEE JUST CONSIDERED THE NEW BUDGET REQUEST FOR VETERANS. THAT BUDGET DIDN'T EVEN PROVIDE CURRENT SERVICES. WHEN SO MUCH COULD BE DONE IF THE RESOURCES WERE AVAILABLE, THE FLAGRANT SQUANDERING OF LITERALLY MILLIONS OF DOLLARS IS JUST LIKE A SLAP IN THE FACE.

TO DEMONSTRATE ONCE AGAIN THAT THE TRUTH CAN BE STRANGER THAN FICTION, THE VA HAS REQUESTED 133 NEW FULL-TIME EMPLOYEES IN THE NEW BUDGET FOR THE CHAMPVA PROGRAM. THE VA PROPOSES TO ASSUME FULI AND COMPLETE RESPONSIBILITY FOR THE PAYMENT OR REIMBURSEMENT OF CHAMPVA CLAIMS. AFTER FIVE FAILURE-FILLED YEARS OF NOT BEING ABLE TO DEVELOP AND MAINTAIN AN ACCURATE LIST OF ELIGIBLE BENEFICIARIES, VA NOW WANTS EVEN MORE ADMINISTRATIVE RESPONSIBILITY. THIS SHOULD BE AN INTERESTING HEARING TODAY AS WE EXAMINE THE RECENT HISTORY AS WELL AS THE CURRENT AND FUTURE ADMINISTRATION OF THE CHAMPVA PROGRAM.

STATEMENT OF PHILIP R. WILKERSON, ASSISTANT DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
MARCH 17, 1988

Mr. Chairman and Members of the Committee:

The American Legion appreciates the opportunity to present its views on the current operations of the Civilian Health and Medical Care Program of the Veterans Administration, CHAMPVA. In view of the various problems highlighted in this program by audits by the Veterans Administration's Office of the Inspector General, we wish to commend this Subcommittee for holding this oversight hearing.

Mr. Chairman, in order to discuss the problems, we feel that the program should first be described. The CHAMPVA program was established by the Veterans Health Care Extension Act of 1973, PL 93-82. Under 38 USC 613, the Veterans Administration is authorized to provide medical care to the spouse or child of a veteran who has a total disability, permanent in nature, resulting from a service-connected disability; the surviving spouse or child of a veteran who died of a service-connected disability or who at the time of death had a total disability, permanent in nature, resulting from a service-connected disability; and the surviving spouse or child of a person who died in active military service, not the result of misconduct provided that such persons are not otherwise eligible for medical care under the Civilian Health and Medical Program Uniformed Services, CHAMPUS. A spouse's eligibility for CHAMPVA terminates at age 65, unless they are denied Medicare benefits. A dependent child is eligible for CHAMPVA until age 18 or age 23 if unmarried and pursuing a course of instruction at an approved educational institution. Coverage may be extended indefinitely if a child is determined to have been incapable of self-support prior to age 18.

This legislation authorized the Veterans Administration to enter into an agreement with the Department of Defense whereby CHAMPVA benefit claims would be handled through the health care provider reimbursement system already established for CHAMPUS claims. The Veterans Administration is required to make the eligibility determination and issue CHAMPVA identification cards and reimburse CHAMPUS for the amount paid to private insurers, fiscal intermediaries or other health care providers for a medical claim by CHAMPVA beneficiary. The Veterans Administration also pays administrative costs of CHAMPUS and the fiscal intermediaries for the processing of these benefit claims.

For authorized hospital care, CHAMPVA will pay seventy-five percent of the reasonable charges of the hospital and professional personnel. For authorized outpatient treatment, a $50 annual deductible must be paid by the beneficiary or $100 annually for a family of two or more beneficiaries. After the deductible is met, CHAMPVA will pay seventy-five percent of the reasonable charges for outpatient treatment. Participation by civilian physicians, hospitals, and other health care providers is entirely voluntary. CHAMPVA beneficiaries may also use non-participating sources and apply directly to CHAMPUS for reimbursement. Persons having other health insurance must use such insurance before CHAMPVA makes any payment in a claim.

Since the establishment of the program some 15 years ago, the amount paid by the Veterans Administration for CHAMPVA medical claims has risen steadily. These costs have more than doubled in the past six years alone. The current budget request for FY 1989 stands at $106,411,000 which is an increase of some $343,000 over the FY 1988 budget.

Mr. Chairman, The American Legion supported the enactment of PL 93-82 to assist the families and survivors of severely disabled veterans in meeting their medical care needs. We continue to support the program and its mandated goal. However, as in any benefit program administered by the Veterans Administration, we insist that there be a strict accounting of Federal funds expended and responsible and effective management to ensure that the benefits are properly paid. Therefore, upon review of the reports by the Office of the Inspector General of the Veterans Administration covering audits conducted in 1982 and 1987, The American Legion has very serious concerns over the fiscal integrity of the CHAMPVA program and the lack of effective and timely responses by officials of the Department of Medicine and Surgery and the Veterans Administration to what has been and continues to be a known management problem of serious proportions.

Our discussion will focus on a number of the findings of the Inspector General's audit reports of March and September 1982, and September 1987.

The initial audit by the Inspector General stemmed from information developed in 1980 concerning a lack of program controls to prevent payment of CHAMPVA benefits to ineligible beneficiaries. The IG study revealed a number of disturbing findings. These included a significant number of ineligible beneficiaries on the CHAMPVA rolls; numerous inaccuracies in the CHAMPVA inventory data with no consolidated inventory for all medical centers; a lack of basic processing controls for recording changes of

beneficiary status as well as a lack of quality control standards. The net result was that the Veterans Administration expended some $45 million in FY 1981, under CHAMPVA, with no reliable means to determine whether benefits were paid to eligible beneficiaries. Given the number of types of inaccuracies or errors found in the audit, probable erroneous payments could possibly have exceeded $4 million to 7800 ineligible beneficiaries in FY 1981 alone.

The Inspector General recommended that immediate action be taken to remove all ineligible beneficiaries from the CHAMPVA rolls and to create an accurate, updated inventory which could then be used by all medical facilities to verify eligibility for payments made through CHAMPUS. Action on these two problems would include improvement in the system of information exchange between DVB and DM&S to permit each medical facility to update its records to reflect any change of status of a beneficiary, such as marriage, divorce, school enrollment or disenrollment, etc. Attention was also called to the need to revise and expand the format in which the CHAMPVA beneficiary data was kept by the individual medical facilities. In addition, the system of records did not include any automated procedures to delete or identify beneficiaries whose eligibility had expired. Another problem cited was duplicate entries for a CHAMPVA beneficiary at one or more VA medical facilities. The audit highlighted the fact that DM&S had never implemented quality assurance procedures to monitor the error rate in claims processing, and had not provided written guidance procedures or formal training of personnel in determining CHAMPVA eligibility. Coupled with this was a failure to determine whether a beneficiary was eligible for CHAMPUS or Medicare and therefore, not eligible for CHAMPVA. Eligibility decisions were made in many instances without obtaining all required information from the VA regional office or other sources.

One of the principal causes for the deficiencies identified by the Inspector General was a lack of adequate direction and administrative control by the Department of Medicine and Surgery. CHAMPVA was not considered a high priority program, as evidenced by the lack of staffing support and resources in the medical centers and a general lack of administrative and procedural guidelines and controls to effectively maintain the program's integrity.

The Inspector General made a number of recommendations addressing these problems most of which were concurred with by DM&S. One recommendation that was not agreed to was to transfer the CHAMPVA program to the Department of Veterans Benefits. DVB reportedly could integrate the CHAMPVA data into the TARGET System, making it possible to streamline the processing of eligibility claims and provide accurate

and up-to-date report information.

In September 1982, the Inspector General reported on the findings of a follow-up audit of the program. This report focused on a comparison of CHAMPVA claim data to the eligibility criteria data contained in the DVB TARGET System. It provided further insight into the origin of the inaccuracies and errors in the CHAMPVA inventory, and it described in greater detail the magnitude of the overall problem and the categories of beneficiaries involved. One of the principal recommendations contained in this report was to establish a central eligibility enrollment system as part of the effort to remove ineligible beneficiaries from the CHAMPVA rolls and maintain an accurate and up-to-date inventory of beneficiaries. Another recommendation proposed that VA participate in the Defense Department Enrollment Eligibility Reporting System (DEERS) which would provide access to data on all those eligible for uniformed services benefits. Participation in DEERS, however, was dependent upon a validated CHAMPVA inventory and would eventually involve the reissuance of new beneficiary identification cards. It was additionally recommended that VA identify ineligible beneficiaries receiving payments and initiate collection action, including third party liability cases. Department of Medicine and Surgery officials concurred with the recommendations of the Inspector General.

In 1987, another follow-up audit of the CHAMPVA program was conducted by the Inspector General. It indicated that a number of the problems previously noted continued to persist and concluded that little progress had been made toward implementing the recommendations of the earlier reports.

We wish to offer several comments with respect to the findings of this most recent report. It is our understanding that as part of its efforts to implement certain changes in the CHAMPVA program, VA was required to develop proposed regulations and submit these to the Office of Management and Budget for approval. It is also our understanding that these proposed regulations were held by OMB from 1982 until 1985. This delay was not commented upon or referred in this latest audit report. It appears that this contributed in some degree to the lack of progress cited by the Inspector General.

According to the audit's findings, the VA continues to spend substantial amounts on medical claims submitted by ineligible beneficiaries. Some steps had, in fact, been made toward improving the eligibility verification and processing system. However, in our opinion, the progress achieved as of that date and subsequently was extremely slow

and fragmented. The report goes on to state that in the period 1983 to 1986 the Inspector General estimates that about 56,600 (28.3 percent) of the 200,000 individuals who participated in the CHAMPVA program were ineligible and the VA paid about $40.7 million in medical claims plus about $2.2 million in administrative costs. It is further estimated that the VA will lose about $14.5 million in FY 1988 and another $15.2 million in FY 1989 for the cost of care provided to ineligible beneficiaries.

Mr. Chairman, if these estimates are anywhere near accurate, there is an obvious need for corrective action to be taken with respect to the administration of the program. It seems almost incomprehensible that after more than six years, DM&S still was not able to effectively purge its beneficiary rolls, screen all new CHAMPVA applicants and establish a reliable, accurate, and up-to-date inventory of eligible beneficiaries. Clearly, DM&S had not sought the necessary access to the TARGET system and the related expertise in DVB to establish an accurate data base. Nor were the procedures and controls to accurately verify and monitor eligibility, and pay benefit claims established.

In October 1986, DM&S established the Central CHAMPVA Registry Center in Denver, Colorado to develop and maintain an accurate inventory of eligible beneficiaries. The latest IG audit found that 18.7 percent of the verified beneficiaries on the center's eligibility list were actually ineligible. The audit also noted that fiscal intermediaries were paying claims without verifying that an individual's eligibility was current. The recommendation was again made that DM&S develop a computerized listing of eligible CHAMPVA beneficiaries and enter this information into the DEERS system so that the fiscal intermediaries would be able to determine eligibility before paying, as is the procedure under the CHAMPUS system. While the logic of this recommendation is clear, the problem continues to be the lack of an accurate CHAMPVA inventory with sufficient data to integrate with the DEERS system, not with a procedure to accomplish this. The report once again recommended that collection efforts be made in those instances where claims were paid to ineligible beneficiaries as well as in instances of third party liability. The Chief Medical Director concurred, but expressed the belief that this could only be done as a result of the CCRC verification process. The millions of dollars in erroneous payments made prior to this would, in effect, be written off.

The audit report also reiterated the recommendation that DM&S develop a system of internal controls for the CHAMPVA program. According to its latest findings, DM&S still had not established the necessary controls and administrative procedures to ensure benefits were being paid only to eligible beneficiaries. The Inspector General was of the

opinion that program and organizational responsibilities within the CCRC and the medical facilities should be clearly delineated. The Chief Medical Director has responded that most of the problems and deficiencies cited would be addressed through the establishment and operation of the CCRC, including third party collections.

Since the Inspector General's audit report in 1987, DM&S has proceeded with efforts to improve the capability and operations of the CCRC. We understand that DVB has authorized CCRC access to the TARGET system and DM&S will purchase the necessary computer equipment later this year. Several data matches with DVB and with DEERS are to be conducted during 1988 to complete the reverification process. It appears that this should finally result in an accurate CHAMPVA inventory and enable DM&S, through the CCRC, to monitor and update beneficiary information, as well as take any action necessary based on a change in a beneficiary status.

DM&S has, in its budget request for FY 1989, included funds to establish a CHAMPVA Centralized Payment Center at the CCRC which will allow the VA to assume the full administrative responsibility for the processing and payment of all CHAMPVA claims. This initiative is responsive to a number of the deficiencies cited by the Inspector General regarding problems and costs associated with the use of CHAMPUS and fiscal intermediaries to process benefit claims. As described in the President's Budget Request, the plan is to develop a financial management and fiscal accounting plan to control amounts disbursed, allow the VA to have total control over eligibility and expenditures, and simplify the claims processing procedure. This change in approach to the administration of the CHAMPVA program is due in part to the recent CHAMPUS reform undertaken by the Department of Defense which affects the continued use of fiscal intermediaries in the CHAMPVA reimbursement process. The Centralized Payment and Registration Center is projected to result in substantial budget savings for DM&S due to a reduction in benefits paid to ineligible beneficiaries, as well as elimination of administrative costs associated with the use of CHAMPUS.

Mr. Chairman, the CHAMPVA program has been shown to be costly, wasteful, and mismanaged. It appears, since its inception, to have suffered from a profound lack of attention, direction and support from responsible individuals in DM&S as well as at the individual medical centers. Despite a budget which has grown dramatically to more than $100 million, and reports of substantial payments of benefits to ineligible beneficiaries, the program has been accorded a very low priority. It has operated, over these past fifteen years, without the stringent administrative and fiscal procedures and controls necessary to keep ineligible beneficiaries from being added to the CHAMPVA rolls and

little or no effort to monitor certain types of cases which may be subject to changes of status which would affect their continued eligibility. Staffing and training also appear to have been generally neglected. The end result is a benefit program which has paid out tens of millions of taxpayers' dollars to individuals who were not eligible for CHAMPVA benefits, when at the same time, other departments in DM&S have struggled under severe budget constraints to try and provide an essential level of service and staffing in the medical care program for veterans. Although some improvements in the program have been made, there is still a long way to go, in the judgment of The American Legion.

We believe the Inspector General's findings support the conclusion that the CHAMPVA program remains highly vulnerable to negligence and waste. However The American Legion feels the initiatives begun by DM&S within the past year to centralize both the verification and payment activities into one center appear to be positive and long overdue steps toward establishing administrative and fiscal control of the program. Toward this end, Mr. Chairman we would recommend the continued oversight of this program by the Subcommittee.

This concludes our testimony.

STATEMENT OF

DANIEL H. WINSHIP, M.D.,

ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR

FOR PROGRAMS AND OPERATIONS

DEPARTMENT OF MEDICINE AND SURGERY

VETERANS ADMINISTRATION

BEFORE THE SUBCOMMITTEE ON OVERSIGHT

AND INVESTIGATIONS

HOUSE OF REPRESENTATIVES

MARCH 17, 1988

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today, together with the VA Inspector General, to discuss our joint views on the Civilian Health and Medical Program of the Veterans Administration (CHAMPVA). This testimony represents the views of both our offices.

With the enactment of Public Law 93-82 in August 1973, Congress authorized a benefit program for spouses (including surviving spouses) and dependent children, of 100% permanently and totally service-connected disabled veterans to provide medical care "in the same or similar manner and subject to the same or similar limitations" as furnished under DoD's CHAMPUS program. The law provides the Administrator with three options by which to administer the program: 1) to enter into an agreement with the Secretary of Defense; 2) to provide for such coverage through other contract arrangements; or 3) to administer this program "in-house."

When the CHAMPVA program was first established, the Administrator exercised the option to enter into an agreement with the Secretary of Defense, under which DoD would jointly administer both its own Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and the new, but very similar benefit program authorized for these VA beneficiaries. Under this arrangement VA reimbursed DoD for the services it provided. While the decision to set up the program through a

reimbursement arrangement with DoD had the advantage of a relatively quick start-up compared to the other options, it had the disadvantage of sharing program administration with another Agency. VA retained for itself the role of determining eligibility for benefits. Hindsight, however, has underscored for us the flaws in that approach. The audits of this program conducted by the VA Inspector General (IG) have identified problems that can be traced to the seemingly straightforward decision to have CHAMPVA eligibility determinations made at individual VA medical centers in a manner similar to the way VA determines eligibility for other medical benefits. The defect in that approach, however, was that personnel at 172 different VA medical centers were tasked with making these new eligibility determinations, applicable to only a relatively small number of persons. With relatively few VAMC staff having any real expertise regarding this program and a light caseload across the system which precluded the opportunity for extensive on-the-job training, VA personnel made errors in determining CHAMPVA eligibility and failed to verify continued entitlement. These errors were compounded by the prospective beneficiaries' own unfamiliarity with the intricacies of the CHAMPVA law's provisions. In retrospect then, the legacy of the flaws in the original program design has been a distressingly high incidence of enrollees who are not now and in some cases may never have been eligible for VA-sponsored care.

In 1982, after consideration of an option to centralize administration of the CHAMPVA program at the Boston Development Center, the VA initiated a pilot effort in one of our medical districts. This pilot program was designed to gauge the feasibility of providing all needed medical care and treatment to CHAMPVA beneficiaries either through the VA's fee-basis and contract hospitalization programs or in VA facilities having sufficient capacity to provide that care. The Department gained valuable experience from this effort, particularly with respect to the transition from DoD contract services to beneficiaries in the test area. However, this approach was not cost effective and consequently was not adopted as a solution.

We credit the IG for highlighting problems in the administration of this program. In an effort to begin to set the program on a sounder footing, and building on our experience with the earlier pilot effort, we developed a proposal in April 1985 to centralize all CHAMPVA administration processing at Denver. In essence, we are painstakingly reverifying the eligibility of all those on the CHAMPVA rolls. We set out to systematically reverify enrollment by concentrating resources in a single "Central CHAMPVA Registration Center" (CCRC) at the Denver VAMC, Colorado. This new center also acts as an information clearinghouse for providers, fiscal intermediaries and beneficiaries. In our view, VA's soon-to-be completed full implementation of that proposal will fulfill what we view to be the key recommendations of the IG's initial audit reports. This new approach will replace the fragmented enrollment process formerly in operation at individual VA Medical Centers.

The new Central CHAMPVA Registration Center (CCRC) is making steady progress in tackling a big job. It became fully staffed (with six clerical FTEE and a supervisor) late in 1986, and has developed the computer capability to use predetermined data fields from tapes maintained for the VA's compensation and pension benefits program as the modified CHAMPVA data base. This capability and anticipated direct access to the VA Department of Veterans Benefits' TARGET system will provide the means for assuring and maintaining accurate eligibility rolls. (An unanticipated large volume of records from the field, plus new enrollee applications signalled a need for staff augmentation at the Center and VA Central Office approved and funded an evening shift staffed with 7 temporary employees. In January 1988, VA Central Office funded 6 additional temporary data entry clerks - bringing the total staff component to 20.)

The process of converting the administration of the CHAMPVA eligibility system from an error-riddled decentralized system

into an efficient centralized operation is necessarily a step by step process. Its implementation began in September 1986 with directives to VA medical facilities to examine all of their active CHAMPVA record files for completeness, and to package and ship those active files to the CHAMPVA Registration Center no later than October 1, 1986. The Central CHAMPVA Registration Center staff is tasked to:

- receive, file and store all active CHAMPVA files,
- conduct manual reverification procedures,
- make computer entries of all sponsor/beneficiary data,
- provide for a tape-to-tape interface with the Department of Defense as well as the VA Department of Veterans Benefits' extensive compensation and pension program,
- disseminate appropriate correspondence regarding eligibiity status, and
- re-enroll reverified beneficiaries in the newly developed ADP system.

The IG initiated a followup audit of the program in September 1986. Our staff began a multi-phase effort in January 1987 to purge the rolls of those ineligible for CHAMPVA benefits. The IG audit thus took place during an early phase of a major transition. We expect to complete the final phases of that eligibility validation process by the end of this fiscal year.

Among the IG's recommendations has been that we develop a plan for participating in DoD's "DEERS" system as an effective means of providing accurate information to fiscal intermediaries. This recommendation will be implemented after the central files of the CHAMPVA program have been purged of ineligibles. This commitment will ensure appropriate information availability with the fiscal intermediaries until the VA payment center is operational. DoD has embarked on a "CHAMPUS Reform Initiative", which is designed to resolve problems in its own program. The

uncertainties beyond 1990 surrounding the future of claims processing under CHAMPUS reform made it imperative that we examine the possibility of expanding our own centralized (CCPC) operation to incorporate a central claims processing procedure as well. Such a procedure would permit VA to act as its own fiscal intermediary.

Our analysis and planning on this important matter of claims processing has advanced to the point that the FY 1989 budget proposes the establishment of a VA Central CHAMPVA Payment Center. We hope to implement that proposal in FY 1989. In essence, our plan is to establish a centralized procedure to allow the VA for the first time to assume full administrative responsibility for the payment or reimbursement for costs of CHAMPVA care rendered to eligible VA beneficiaries. Overall, we plan to develop a financial management and fiscal accounting plan to control amounts disbursed; allow the VA to assume full control over both eligibility and program expenditures; and to simplify the claims processing procedure to be more responsive to beneficiary needs.

We do not suggest that we have completed all needed actions in what amounts to a total overhaul of this program. We have taken important steps, however. We now have a qualified, knowledgeable staff, dedicated entirely to CHAMPVA. The short term results are already evident. FY 1987 cost figures for CHAMPVA reflect an expenditure of $87 million, some $14 million below the budgeted obligation figure. ($7 million was for claims unpaid by CHAMPUS carried over from FY 1986). FY 1987 was the first year that we have not run over budget for this program and had to request supplemental funds. We are committed to bringing this program under control and are in the process of appointing a full-time program manager. An important next step certainly is to develop and institute a system of internal controls to assure conformity with the requirements of the Federal Managers Financial Integrity Act

and sound management principles. In recent discussions with the IG, it has been agreed that we are proceeding in a manner that will achieve acceptable solutions.

We recognize the problems that have prompted criticism of CHAMPVA administration. We believe we have charted a course which will remedy those problems.

Mr. Chairman, this concludes our formal testimony. My colleagues and I would be pleased to respond to any questions that you or other members of the subcommittee may have.

STATEMENT OF

RENALD P. MORANI

ACTING INSPECTOR GENERAL

VETERANS ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS

OF THE

U.S. HOUSE OF REPRESENTATIVES

March 17, 1988

Mr. Chairman and Members of the Subcommittee:

I am pleased to discuss the results of our audits on the management of the Civilian Health and Medical Program of the Veterans Administration (CHAMPVA).

CHAMPVA was authorized by the Veterans Health Care Expansion Act of 1973 (Public Law 93-82, August 2, 1973). The purpose of CHAMPVA is to provide health care to (1) dependents of veterans who are permanently and totally disabled as a result of a service-connected illness or injury and (2) survivors of veterans who died as a result of a service-connected condition or who were rated as permanently and totally disabled when they died. The law requires the VA to provide CHAMPVA care in a manner similar to that provided to beneficiaries of the Department of Defense (DoD) Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). CHAMPUS beneficiaries are dependents of retired servicemen or the surviving dependents of servicemen who died while on active duty.

Under an agreement between the VA and DoD, the Office of CHAMPUS has jurisdiction over the processing of CHAMPVA claims from

beneficiaries and providers. The Office of CHAMPUS contracts with five health insurance companies to process and pay CHAMPVA and CHAMPUS claims. These five companies are known as CHAMPUS fiscal intermediaries.

The VA's Department of Medicine and Surgery is responsible for program management of CHAMPVA and for determining applicants' eligibility for CHAMPVA benefits.

In recent years, CHAMPVA costs have increased significantly, growing from $36 million in Fiscal Year 1980 to $87.7 million in Fiscal Year 1986, the most recent full year covered by our audits. The Fiscal Year 1988 CHAMPVA budget is $106 million.

In 1982, the Office of Inspector General performed two audits of CHAMPVA. These audits identified several program weaknesses. The main weakness was that about 15 percent of CHAMPVA recipients were ineligible to receive CHAMPVA benefits. We recommended that the Department of Medicine and Surgery strengthen program administration by preparing an accurate, automated listing of eligible beneficiaries and by participating in DoD's Defense Enrollment Eligibility Reporting System. We made these recommendations because the fiscal intermediaries, who were processing CHAMPVA claims, had no reliable means of knowing if claimants were eligible for CHAMPVA benefits. If CHAMPVA were integrated into DoD's system, then fiscal intermediaries using DoD's system to verify the eligibility of CHAMPUS claimants could also use the system to verify CHAMPVA eligibility. The Department of Medicine and Surgery concurred with our audit recommendations and provided implementation plans.

In September 1987, my staff completed a followup audit of the two 1982 audits. This followup audit found that the primary problem still centered on recipient eligibility. The followup audit estimated that about 28 percent of the 200,000 individuals who participated in CHAMPVA during Fiscal Years 1983 through 1986 were ineligible. The VA paid about $40.7 million for the care of these ineligibles and about $2.2 million in administrative costs for processing claims from them. We estimate that, in Fiscal Years 1987 and 1988, an additional $29.7 million could be paid for care provided to ineligibles. This amount will be reduced by the Department's action to remove ineligibles previously enrolled.

In October 1986, the Department of Medicine and Surgery established the Central CHAMPVA Registration Center in an attempt to develop an accurate list of eligible CHAMPVA beneficiaries. However, our followup audit found that about 18 percent of the beneficiaries on that list were not eligible. The Center needs to improve its procedures in order to develop an accurate beneficiary list that can be used in paying CHAMPVA claims. In addition, our followup audit found that a well-defined plan for participation in DoD's Defense Enrollment Eligibility Reporting System had not been established.

Also, our 1982 audit and our followup audit found that better procedures were needed for pursuing CHAMPVA third party liability cases to collection or other resolution. We estimated that, during Fiscal Years 1983 through 1986, there were about 6,700 potential CHAMPVA third party liability cases with a value of about $12.8 million. Because there are no well-defined procedures for pursuing these cases nor requirements to keep records pertaining to them, we could not determine how many

cases had been pursued and resolved. It was evident, however, that most cases were not pursued.

In our followup report, we recommended that the Department of Medicine and Surgery take specific actions to: (1) develop an accurate, up-to-date listing of eligible CHAMPVA beneficiaries; (2) gain access to the Department of Veterans Benefits' TARGET system so that the Central CHAMPVA Registration Center could effectively determine beneficiary eligibility; (3) participate in the Defense Enrollment Eligibility Reporting System; (4) pursue potential third party liability cases to resolution; and, (5) develop a system of internal controls for CHAMPVA.

Department of Medicine and Surgery officials concurred with the audit recommendations and provided implementation plans. Our review of the implementation plans showed that the following actions need to be taken before the report can be considered resolved:

- The implementation plans need to explain how an accurate list of CHAMPVA beneficiaries will be developed and kept up to date. As of February 18, 1988, the Central CHAMPVA Registration Center had not completed the development of a new list of eligible beneficiaries. Also, the Center needs to obtain access to current TARGET information.

- The problem of providing up-to-date CHAMPVA beneficiary information to the Office of CHAMPUS and the fiscal intermediaries needs to be resolved. There was no definite plan to integrate the beneficiary data base with DoD's system so that

the fiscal intermediaries can verify eligibility. The fiscal intermediaries continue to process claims as they did before our audit, resulting in ineligibles receiving CHAMPVA benefits.

- The Department of Medicine and Surgery's plans for implementing the audit recommendation pertaining to potential third party liability cases were generally responsive. However, the Department of Medicine and Surgery needed to develop procedures for establishing third party liability cases in VA accounting records in accordance with Agency policy.

- The Department of Medicine and Surgery also needed to provide a description of the specific internal controls planned for CHAMPVA.

The Department of Medicine and Surgery recently provided us with a supplemental implementation plan that described actions planned to resolve issues concerning access to TARGET, procedures for controlling third party liability cases, integration of the validated beneficiary data base with DoD's system, and a system of internal controls to maintain the accuracy of the data base. Effective implementation of these proposed actions should resolve the problems.

This concludes my statement, Mr. Chairman. We will be pleased to respond to any questions that you may have.

WRITTEN COMMITTEE QUESTIONS AND THEIR RESPONSE

HON. LANE EVANS TO VETERANS' ADMINISTRATION

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

MAY 10 1988

Honorable G. V. (Sonny) Montgomery
Chairman, Committee on Veterans'
Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed please find the Agency's responses to the questions which you forwarded on behalf of Representative Lane Evans for the March 17, 1988, hearing by the Subcommittee on Oversight and Investigations. Thank you for the opportunity to provide this additional information for the record.

Sincerely,

THOMAS K. TURNAGE
Administrator

Enclosure

By way of introducing our responses to questions 1, 2 and 3 for the record, we take the liberty of expanding on our prior testimony and commenting generally on the issues the Committee has raised regarding the IG's role. We do so because both the hearing and these followup questions raise important concerns regarding the integrity of the IG's function. It is vital, as a matter of law and as a matter of public confidence in this office, that we make quite clear that the IG has been and will continue to be an independent officer in the VA who neither reports to nor is subject to supervision by any Agency official other than the Administrator or his Deputy.

In that connection, the question of IG coordination with other offices should be understood in the first instance by viewing "coordination", as we do, as a means of furthering the IG's mission. There is not, and never has been in the VA, any question as to what that mission is. The IG was not established, and has never functioned, to justify, explain away, or ignore waste, inefficiency, or fraud. Coordinating or meeting with officials of other offices or departments in the VA is a means to only one end--to be sure we are doing our job most effectively, whether it is a matter of being sure we have our facts right or a matter of "pushing" department officials to institute needed management controls, for example.

Equally important, and particularly so in the context of this hearing, is the unencumbered role of the IG in communicating with the Congress. We have never had any hesitancy about providing free and open testimony or advice to the Congress. Also, our audit reports which document our findings are almost routinely provided to Congress; therefore our facts and recommendations are on the record long before any hearings on these reports may be held.

The VA Office of Inspector General is providing the following responses to the questions for the record:

QUESTION 1 Who proposed submitting a single statement on behalf of both the Inspector General and the Department of Medicine and Surgery and when was this proposal made? Who discussed the submission of a single statement?

ANSWER The OIG originally drafted a separate statement that outlined the problems in the CHAMPVA program disclosed in the 1982 and 1987 audit reports. At the time we were notified of the hearings, the Agency had taken little corrective action on the 1982 report and the 1987 report recommendations were in an unresolved status. The pre-hearing meetings with the Administrator, Chief of Staff, DM&S officials and the Acting Inspector General were <u>not</u> held to change or influence the IG's testimony, <u>but</u> were held to discuss and develop an Agency plan that would address the problems pointed out by the OIG. At no time during these discussions did the Administrator, Chief of Staff, or other agency officials direct the IG to submit a single statement.

In fact, since the hearing was clearly going to be on what the Agency planned to do about these problems, the Acting Inspector General suggested that a single statement focusing on the corrective actions should be developed. This statement, with the emphasis on corrective action, was developed by agency officials with appropriate input from the OIG.

QUESTION 2 How and why is the testimony of the Inspector General "coordinated" with Department of Medicine and Surgery? Why is the testimony of the Inspector General reviewed by the Department of Medicine and Surgery? Please identify everyone not employed by the Office of the Inspector General who has the opportunity to review the testimony of the IG before it is submitted. Please explain the objective(s) of this review. Who is not permitted to review your testimony before it is submitted?

ANSWER The Office of Inspector General (OIG) went on record in 1982 and 1987 by issuing audit reports pointing out significant problems in the administration of the CHAMPVA program. The issuance of either a single statement or two separate statements for this hearing does not change the facts in these two audit reports. The focus of the hearing was on the administration of the CHAMPVA program. Since the problems in the program were well documented in the audit reports, it was believed that a single statement emphasizing the corrective actions being taken would best satisfy the needs of the Committee and show that the Agency was responsive to problems pointed out by the OIG.

The OIG and DM&S had to coordinate on the testimony because up until shortly before the hearing, corrective action had not been taken on the recommendations in the 1982 report and the recommendations in the 1987 report were in an unresolved status. To resolve the issues in this report, it was necessary for the OIG and DM&S to get together and assure that the DM&S proposed corrective actions satisfied the intent of the OIG audit report recommendations. This is a normal procedure in resolving audit reports and the timing of the hearing was such that the plan of corrective action coincided with the timing of the hearing and was made a major part of the Agency's statement.

Representatives of the VA General Counsel also reviewed the testimony primarily to assure that the statements made were in accordance with VA regulations and applicable laws.

The OIG does not have a set procedure for testimony review; therefore, depending on the subject matter, the testimony may be coordinated with a number of offices in the Agency. However, the important point in this case was that the OIG clearly pointed out in two audit reports the significant problems in the CHAMPVA program and the issues in these reports were in no way compromised by the proposal to issue a single statement.

QUESTION 3 How does the General Counsel assist the Inspector General prepare testimony which is submitted by the IG to Congress? What assistance is provided? Is there any other source from which this assistance could be obtained? Please explain the testimony content assistance given by the General Counsel to the Inspector General.

ANSWER The VA General Counsel provides legal assistance to the OIG on a wide range of matters to include Congressional testimony review. The General Counsel's review of IG testimony is made from a legal viewpoint to assure that the rules, regulations and laws cited in the testimony are correct and proper.

We do not know of any other viable source from which this legal assistance could be obtained.

QUESTION 4 When will Inspector General conduct the next audit of the efficiency and effectiveness of the administration of CHAMPVA?

ANSWER We will continue to monitor DM&S's actions to implement our audit recommendations. We have requested periodic progress reports from DM&S - the first report is due by June 30, 1988. Once DM&S reports all recommendations are implemented, it would be appropriate for us to consider another followup audit to ensure the recommendations have been implemented.

QUESTION 5 What is the estimated value of CHAMPVA benefits which have been provided to ineligible beneficiaries? Has the recovery of benefits provided to ineligible beneficiaries been effective and efficient? Can the recovery of payments made on behalf of the ineligible beneficiaries be improved? Please explain. Is additional authority needed to improve recovery of payments made on behalf of ineligible beneficiaries?

ANSWER In our September 1987 audit report we estimated that about $57.4 million, including $54.4 million in direct care costs and $3.0 million in administrative costs, have been paid in Fiscal Years 1983 - 1987 for treatment of ineligible CHAMPVA beneficiaries.

There has been no effective or systematic recovery of benefits provided to ineligible CHAMPVA beneficiaries. The major reason is that DM&S has not developed an accurate list of eligible and ineligible beneficiaries that could be used to determine which payments were inappropriate. The accurate identification of eligible and ineligible beneficiaries is necessary before taking recovery actions.

Recovery action can be improved. To accomplish this, DM&S must identify all ineligible beneficiaries, provide this information to OCHAMPUS and the fiscal intermediaries so that the amount of erroneous payments can be determined and collection actions can be initiated. It should be noted that recovery may not be appropriate if the benefits were provided as a result of VA administrative error. An example of administrative error would be if the VA made an erroneous eligibility determination and issued a CHAMPVA card to an ineligible person causing that person to believe that he or she was eligible for CHAMPVA benefits.

In our opinion, the Federal Claims Collection Standards and other statutes provide the authority to pursue collection of payments made on behalf of ineligible beneficiaries.

QUESTION 6 Are the procedures used by the Department of Medicine and Surgery to identify ineligible CHAMPVA beneficiaries effective? Are ineligible beneficiaries identified on a timely basis? Are the procedures currently used by DM&S to deny CHAMPVA benefits to individuals who have been identified as ineligible beneficiaries effective and timely? Please explain.

ANSWER As shown in our September 1987 audit report the procedures used by DM&S to determine eligibility or to identify ineligible beneficiaries were not effective. DM&S is currently developing procedures

and systems to accurately determine eligibility, to identify ineligibles, and to provide this information in a usable format to OCHAMPUS and the fiscal intermediaries. The fiscal intermediaries will use this information in claims processing to prevent payments on behalf of ineligible beneficiaries and to initiate recovery of improper payments. We will be able to evaluate the effectiveness of these planned improvements when DM&S completes their development and implementation.

DM&S has not identified ineligible beneficiaries and provided the information to the OCHAMPUS fiscal intermediaries in a timely or effective way.

As stated in our September 1987 audit report the DM&S procedures to deny benefits to individuals identified as ineligible are not adequate. DM&S is currently developing new procedures to accurately determine who is eligible for CHAMPVA benefits and to promptly provide this information to the fiscal intermediaries in a usable format.

QUESTION 7 Have all program controls needed for the effective and efficient administration of CHAMPVA been established? Please identify each program control needed for efficient and effective program administration which has not been established. Are all program controls established for CHAMPVA being effectively utilized?

ANSWER The program controls necessary for the effective and efficient administration of the CHAMPVA program have not been established. In our September 1987 audit report we recommended a number of specific program improvements and controls that DM&S should establish to ensure efficient and effective CHAMPVA administration. DM&S has provided the OIG with implementation plans to develop these controls and is in the process of developing and implementing these improvements. We will not be able to determine if they are being fully utilized until implementation is completed. Our specific recommendations for improvement in program controls and the status of implementation are shown in our response to Question 8.

QUESTION 8 The IG has made many recommendations intended to improve the effectiveness and efficiency of the administration of CHAMPVA. Please identify each major recommendation which the IG has made. For each recommendation please indicate the date of the recommendation. For each recommendation please indicate the current status of the recommendation (i) fully and completely implemented, (ii) fully responsive and acceptable implementation plan submitted (include date of submission) or (iii) acceptable implementation plan not yet submitted.

In two 1982 audits of the CHAMPVA program the OIG made the following recommendations to DM&S:

- Identify ineligible beneficiaries and pursue medical care cost recovery where authorized.

- Develop an accurate and complete listing of eligible CHAMPVA beneficiaries.

- Participate in the Defense Enrollment Eligibility Reporting System the Department of Defense automated data base listing CHAMPUS eligibles that the fiscal intermediaries use to process CHAMPUS claims.

DM&S did not implement these recommendations.

As a result of our followup audit we made the following recommendations in our September 23, 1987 report.

Recommendation	Current Status
1. The Chief Medical Director (DM&S) should:	
a. Ensure the CCRC develops reliable procedures to produce and maintain an accurate, complete, and up-to-date list of eligible CHAMPVA beneficiaries.	Acceptable implementation plan submitted March 31, 1988.
b. Ensure that the CCRC either gains access to the DVB TARGET system or develops another method of obtaining reliable, up-to-date eligibility information from DVB.	Acceptable implementation plan submitted March 31, 1988.
c. Develop a plan for participating in the DEERS system or develop another cost-effective method of providing current, reliable, secure, and computer-accessible eligibility information to the fiscal intermediaries.	Acceptable implementation plan submitted November 13, 1987.
d. Identify CHAMPVA benefits paid for the care of ineligibles and pursue collection when appropriate.	Acceptable implementation plan submitted November 13, 1987.
2. The Chief Medical Director, in coordination with the Office of the General Counsel and OCHAMPUS, should develop procedures for developing, pursuing, and resolving CHAMPVA third party liability cases.	Acceptable implementation plan submitted March 31, 1988.
3. The Chief Medical Director should establish a system of internal controls to ensure:	
a. Program organization and responsibilities are clearly delineated.	Acceptable implementation plan submitted November 13, 1987.
b. Benefits are provided only to eligible persons.	Acceptable implementation plan submitted March 31, 1988
c. CHAMPVA applications are processed promptly and accurately.	Acceptable implementation plan submitted November 13, 1987.
d. The list of eligible CHAMPVA beneficiaries is kept up-to-date.	Acceptable implementation plan submitted March 31, 1988.

e. CHAMPVA eligibility information is communicated to OCHAMPUS and the fiscal intermediaries in a form that they can use to make accurate payments.	Acceptable implementation plan submitted November 13, 1987.
f. Potential third party liability cases are pursued to proper resolution.	Acceptable implementation plan submitted March 31, 1988.

(Subsequently the VA provided the following responses to questions for the record:)

(1) Q. How does the General Counsel assist the Inspector General in preparing testimony which is submitted by the IG to Congress? What types of assistance are provided by General Counsel? Please explain the testimony content assistance given by the General Counsel to the Inspector General.

A. The primary responsibility for preparing testimony for a congressional committee rests with the official who is to present the testimony. The Inspector General or any member of his staff who is to appear before a committee, may call upon the General Counsel for any needed assistance in that connection. The General Counsel does not routinely review I.G. testimony, however. Although I.G. requests for General Counsel assistance associated with preparation of a hearing statement are infrequent, they might, for example, involve a request for an interpretation of a law or Agency regulation. General Counsel staff cannot recall any instance of being asked for or providing "testimony content assistance" to the I.G.

(2) Q. Did anyone in General Counsel participate in any discussion of the submission of a single statement representing the views of both the Inspector General and the Department of Medicine and Surgery? Please describe and explain the role of General Counsel in any such discussion.

A. In a meeting attended by officials from DM&S, the Acting IG, and a representative of the Administrator it was agreed that in the interest of efficiency, and because there appeared to be no disagreement on the facts, one statement would be submitted representing the views of both the IG and DM&S. No one from the Office of General Counsel participated in the discussion in which this decision was made.

Members of the General Counsel's staff did subsequently participate in discussions with DM&S officials and with the Acting IG to facilitate incorporating the IG's views into the DM&S statement.

(3) Q. What steps can be taken to improve the recovery of payments made to or on behalf of individuals who are not eligible for CHAMPVA benefits?

A. DM&S and General Counsel staff have determined that steps can and, thus, are being taken to improve recovery of such payments. Specifically, DM&S staff will review the sample of ineligibles identified in the I.G. audit and initiate appropriate billing action within that sample. In addition, DM&S plans to match the list of ineligibles compiled by the Central CHAMPVA Registration Center (CCRC) in Denver against the CHAMPVA payment claims history. In accordance with OMB matching requirements, officials have prepared a notice for publication in the Federal Register to announce plans to run these matching procedures on a recurring basis. While recovery efforts focused at the sample group proceed, CCRC staff is continuing its efforts to identify and locate CHAMPVA ineligibles so as to permit vigorous collection efforts, when appropriate.

CHAIRMAN EVANS

Question: (1) The Department of Medicine and Surgery concurred with a 1982 Inspector General audit recommendation to reissue CHAMPVA identification cards. Why did DM&S concur with this recommendation?

How many times have ID cards been reissued since 1982? Please describe the identification card being used today and compare it to the ID card used in 1982.

Answer: DM&S concurred in the recommendation to reissue CHAMPVA identification cards after the reverification of eligibility for all enrollees had been accomplished. It was anticipated that a procedure would be established to require that the Fiscal Intermediaries ensure that enrollees had possession of new ID cards before processing payments. This process was not completed when the test of treating CHAMPVA beneficiaries was decided on as an alternative corrective action.

The Department has not issued new ID cards. In December 1982 DM&S announced to the IG that implementation of the IG recommendations for administration of the CHAMPVA program would be delayed pending the outcome of a test in Medical District 23, where medical care would be provided to CHAMPVA beneficiaries through the use of VA medical centers.

The card in use today is the same as the one issued in 1982. Our current plans, however, are to issue, electronically, new ID cards during the period July - October 1988. The new ID cards include a control number and will show an expiration date consistent with termination of the enrollees' entitlement to benefits.

Question: (2) Please describe the pilot project which was conducted to evaluate furnishing medical care to CHAMPVA beneficiaries directly by VA medical centers. Please include the results of this project and any conclusions based on these results.

Answer: In January 1983, DM&S developed a proposal to provide care to CHAMPVA patients in VA facilities and, through the established fee basis and contract hospital program, it was believed that such an approach would result in a more permanent solution to the problems identified by the IG, as the Department would have direct control over the program. The conceptual approach was based on the following assumptions:

a. The CHAMPVA beneficiaries would be provided both inpatient and outpatient care from VA facilities on a space available basis. When space was unavailable or VA facilities were inaccessible, they would be provided care through the established fee program. When VA facilities were available, their use would be required.

b. CHAMPVA beneficiaries would be offered an incentive to use VA facilities through the elimination of copayment requirements. This approach also had the advantage of the use of existing systems, without a major modification, in the fee basis programs.

c. DM&S would exercise improved control through direct administration of the program.

d. The Department would have an improved capability to perform monitoring and quality assurance activities.

e. There would be direct involvement in eligibility verifications on a case-by-case basis for each episode of care.

f. There would be improved controls in medical care cost recovery action.

g. It was expected that this approach would be cost effective,

CHAIRMAN EVANS

Answer: (2) Continued.

The Chief Medical Director approved the test in March 1983. Immediate action was taken to implement the test with a reverification of eligibility for all beneficiaries in the test area. This process resulted in the identification of approximately 10% of the enrollees (for the test area) as ineligibles.

In December 1983, the Deputy Administrator extended the test indefinitely. This decision was based on a plan to expand the test to three additional medical districts to obtain a broader foundation on which to base a decision for system-wide implementation. In order to permit this planned expansion, a proposed regulation was drafted and forwarded to OMB. OMB extended their review of this draft regulation until October 1985, when it was returned as disapproved based on the judgment that the test was inconclusive in terms of cost effectiveness and because a cost sharing (copayment) provision was not included.

During the delay in review of the proposed regulation, and due to uncertainty with the ultimate OMB response, the Department developed an alternative strategy (in April 1985) to centralize CHAMPVA eligibility processing in Denver.

When the regulation was returned in October of 1985, the Department proceeded with the alternative plan.

Question: (3) Has a timeliness standard been established for CHAMPVA eligibility determinations? What is this standard? What is the average amount of time required to make a CHAMPVA eligibility determination? What percent of eligibility determinations are made in excess of the timeliness standard?

Answer: A timeliness standard has not yet been established for CHAMPVA eligibility determination. Verification of information essential to eligibility determination must be obtained from the DVB records. When the CHAMPVA program was first implemented, applications received at all VA medical centers were processed with a mailed request for information to the appropriate VA regional office. It is typical of this process for six to eight weeks to elapse before a reply is received. In some cases even after the reply, a follow-up inquiry had to be initiated to confirm or clarify information related to the questions of sponsor permanency of rating (To be eligible for CHAMPVA, sponsor rating must be permanent as well as total.) or student status (as CHAMPVA and DVB definitions differed).

In March 1982 and in August 1984, DM&S proposed reverification of all CHAMPVA beneficiaries under this manual process. The second request was initiated after a 1983 proposal to install TARGET terminals in all VAMC's. This was found not to be cost effective. The Department of Veterans Benefits did not support these requests until a consolidated CHAMPVA registration record had been established because the one-time review did not provide a mechanism to update records.

The Central CHAMPVA Registration Center has consolidated all CHAMPVA records and will be provided with a TARGET terminal. Once the TARGET terminal is installed, and all other reverification activities are complete, it is expected that eligibility verification will be accomplished within two days except for those applications which require further review from C files (estimated to be not more that 3% of the applications and will involve questions related to marital status and student status).

CHAIRMAN EVANS

Question: (4) How many CHAMPVA beneficiaries received a change in eligibility last year? If these individuals were notified of a change in their eligibility, how were they notified? If these beneficiaries became ineligible for program benefits, how were they prevented from receiving program benefits?

Answer: In the initial phases of the CCRC eligibility reverification process we have identified approximately 30,000 enrollees who are ineligible for CHAMPVA benefits. These individuals were notified by letter of their ineligibility and requested to return their ID cards. In addition, in January 1987, arrangements were made to distribute, through OCHAMPUS to the Fiscal Intermediaries, lists of all ineligibles identified to avoid erroneous payments. The use of these lists was discontinued in April 1987 in response to a discussion with the VA IG and OCHAMPUS regarding the need for development of guidelines as to how overpayments would be recouped. DM&S was unaware of the decision to discontinue use of the lists until a site visit to OCHAMPUS in May 1987 revealed the OCHAMPUS action. It was agreed during the May visit that use of the lists would be reinstituted. In a follow-up site visit in November 1987, it was learned that OCHAMPUS had not used the lists we had provided. In a letter in December 1987, OCHAMPUS endorsed the recommendation that CHAMPVA beneficiaries be enrolled in DEERS to solve this problem. DEERS enrollment is currently being explored with OCHAMPUS.

Question: (5) Is there any current automated review of CHAMPVA eligibility? Please describe and provide the results of this review.

Answer: The Central CHAMPVA Registration Center was designed to accommodate automated review of CHAMPVA beneficiaries. Prior to the establishment of the Center, there was no consolidated manual or automated file of CHAMPVA beneficiaries. The CCRC data base was designed so that it could be matched against C&P TARGET system records. In October 1986, hard copy records of CHAMPVA beneficiaries were mailed to the CCRC. Through the manual process described above, requests for information to verify eligibility were mailed to the appropriate VA regional office for all files with data prior to 1978. All other records were entered into the data base with the intention that the data base would be matched against C&P and DEERS records. At the present time, tape-to-tape matches have been processed against C&P and DEERS records. We are in the process of conducting the follow-up of those cases where eligibility is at question.

Question: (6) How much in benefits sought by or on behalf of ineligible beneficiaries was not paid last year because of timely processing of eligibility status information?

Answer: A precise figure of the amount in benefits that was not paid for ineligibles last year is not available. We estimate that $7 to $10 million in payments were avoided as a direct result of our notice to ineligibles.

Question: (7) For each recommendation contained in the 1982 and 1987 audits of CHAMPVA issued by the Inspector General, please state the date on which the recommendation was fully and completely implemented. If any recommendation has not been fully and completely implemented, please identify each such recommendation and provide the date by which full and complete implementation is expected.

Answer: 1982 Audit Recommendation I.B.1 - The VA identify payment recipients who are ineligible and pursue collection where authorized.

1987 Audit Recommendation 1.d. - Identify CHAMPVA benefits paid for the care of ineligibles and pursue collection when appropriate.

CHAIRMAN EVANS

Answer: (7) Continued.

A complete list of ineligibles will be completed by July 1, 1988. We will commence billing action as soon as the comment period has elapsed after we comply with the OMB guidelines for computer matching notice requirements. This Federal Register notice is required as we will match our list of ineligibles against CHAMPVA payment records of the Fiscal Intermediaries. This process should begin prior to July for those approximately 35,000 ineligibles already identified.

1982 Audit Recommendation I.B.2 - VA continue to implement the recommendations made in our initial report regarding the removal of all ineligible beneficiaries from CHAMPVA rolls and establishing an accurate updated inventory to verify claims payments to the OCHAMPUS monthly billing.

1982 Audit Recommendation II.B.1 - Continue in their efforts to establish an accurate updated CHAMPVA eligibility file and reissue identification cards to all eligible beneficiaries.

1982 Audit Recommendation II.B.2 - Notify provider and Fiscal Intermediaries at a future date that only new identification cards will be accepted as proof of eligibility.

1987 Audit Recommendation I.a - Ensure that the CCRC develops reliable procedures to produce and maintain an accurate, complete and up-to-date list of eligible CHAMPVA beneficiaries.

1987 Audit Recommendation 3.b - Benefits are provided only to eligible persons.

1987 Audit Recommendation 3.d - The list of CHAMPUS beneficiaries is kept up-to-date.

1987 Audit Recommendation 3.e - CHAMPVA eligibility information is communicated to OCHAMPUS and the Fiscal Intermediaries in a form that they can use to make accurate payments.

As previously answered, the Department will have completed an updated list of eligibles as of July 1, 1988. In addition, we have activated a CHAMPVA indicator in the TARGET system so that we will receive change in status information for any enrolled eligible. We have also developed at the CCRC a monthly output to "flag" cases of children who reach age 18 or 23 as appropriate, spouses who reach age 65, and helpless children. These cases will be automatically identified for review for continuing eligibility. We will also require certification of continuing enrollment in school twice a year from all children over age 18 who have had eligibility as students. Starting in July, we will begin the process of issuing new ID cards and we will provide OCHAMPUS with updated eligibility information on a monthly basis in whatever format is appropriate. The Department did not concur in the recommendation to notify providers that only new ID cards would be accepted as we have no direct knowledge or access as to who the providers are, since this information is maintained by the Fiscal Intermediaries and only after claims are filed.

1982 Audit Recommendation I.B.3 - The VA transfer the CHAMPVA program from DM&S to DVB and use the TARGET System as an accurate source of eligible CHAMPVA beneficiaries.

1987 Audit Recommendation 1.b - Ensure that the CCRC either gains access to the TARGET system or develops another method of obtaining reliable, up-to-date eligibility information from DVB.

CHAIRMAN EVANS

Answer: (7) Continued.

1987 Audit Recommendation 3.c. CHAMPVA applications are processed promptly and accurately.

DM&S and DVB did not concur in the recommendation to transfer this program to DVB. The Administrator supported this nonconcurrence. DM&S has arranged to install a TARGET terminal in the CCRC. The installation is expected to be completed within 60 days. Direct access to the TARGET data base will permit timely CCRC processing of applications.

1982 Audit Recommendation II.B.3 - Participate in the Defense Enrollment Eligibility Reporting System (DEERS).

1987 Audit Recommendation 1.c. - Develop a plan for participating in the DEERS system or develop another cost effective method of providing current, reliable, secure and computer-accessible eligibility information to the Fiscal Intermediaries.

DM&S, in discussions directly with DEERS staff on March 25, 1988, was informed that it will take approximately 1.5 years for DEERS to program computers in their system to accept VA records, as the interface is more complicated than DEERS staff originally thought. DM&S will work closely with OCHAMPUS to seek alternative solutions under the terms of our current memorandum of understanding.

1987 Audit Recommendation 2. We recommend that the Chief Medical Director, in coordination with the Office of General Counsel and OCHAMPUS, develop procedures for developing, pursuing and resolving CHAMPVA potential third party liability cases.

1987 Audit Recommendation 3.f - Potential third party liability cases are pursued to proper resolution.

In November 1987, OCHAMPUS, at DM&S prompting, instructed its Fiscal Intermediaries to refer all potential third party liability cases to the CCRC. Operation manuals for General Counsel, Finance and Medical Administration are in the process of amendments to activate CHAMPVA third party liability cost recoveries. This recommendation will be completely implemented when Third Party collection staffing identified in the Payment Center proposal are on board.

1987 Audit Recommendation 3.a - Program organization and responsibilities are clearly delineated.

Program organization and responsibility will be clearly delineated when decisions with respect to the Payment Center proposal are finalized.

Question: (8) What percent of the cost of medical care received by CHAMPVA beneficiaries is paid by the VA? Is the percentage paid by the VA subject to change? Please explain.

Answer: For outpatient care, there is a yearly deductible of $50 for one beneficiary or $100 for a family. The payment of the deductible is the responsibility of the CHAMPVA beneficiary. After the deductible has been met, the CHAMPVA beneficiary pays 25% of all CHAMPVA allowable charges. CHAMPVA pays 75% of all usual and customary payments.

For inpatient care, no deductible is required. Eligible CHAMPVA beneficiaries pay 25% of the cost of care and CHAMPVA pays 75% of the cost of care.

The percentage paid by CHAMPVA follows the same guidelines as CHAMPUS in coverage and terms.

CHAIRMAN EVANS

Question: (9) Are CHAMPVA claims currently subject to a utilization review which includes an evaluation of the cost, necessity, appropriateness and efficiency of the use of medical service, procedures and facilities? What percentage of CHAMPVA claims are subject to utilization review? If less than 100% of CHAMPVA claims are subject to utilization review, please provide the selection criteria for claims which are reviewed. Please describe in detail any utilization review now given CHAMPVA claims and the results of this review including the dollar value of any claims disallowed and any cost-savings attributable to utilization review. If claims are not now subject to utilization review, please explain why utilization review is not used.

Answer: CHAMPVA claims are processed using the same review criteria as for CHAMPUS claims. There are three exceptions: CHAMPVA claims are not edited against the Defense Eligibility Enrollment System (DEERS) for patient eligibility determinations; they do not require a nonavailability statement for inpatient care and CHAMPVA beneficiaries are not eligible for care under the program for the handicapped.

The fiscal intermediary subjects all CHAMPUS/CHAMPVA claims to utilization review to ensure payment for only medically necessary benefits and to identify potentially fraudulent or abusive practices. There are certain benefit limitations and exclusions requiring automated screens. Manual screens are required for those limitations and exclusions which cannot be automated.

Quality assurance is both a medical and a management function, to keep the quality of medical care provided to beneficiaries from being compromised. CHAMPUS/CHAMPVA payments may be withheld from providers who engage in practices which may be physically or psychologically harmful and/or financially unreasonable, in accordance with the law and regulation.

CHAMPVA claims are subject to various edits/audits during the claims processing cycle. These edits/audits include the areas of patient and provider eligibility, program benefits, frequency/duration of service, data consistency and payment. Whenever a claim fails one of the edits/audits, it is suspended for manual review. The error is either corrected, the edit overridden or the service is denied, whichever is appropriate.

CHAMPVA claims are subject to utilization review for medical necessity of care, appropriateness of care, appropriate level of care and the limitations and exclusions of the program on a prepayment review basis. The claims are also subject to postpayment review during quality assurance studies.

All CHAMPVA claims are subject to 100 percent prepayment review based on the automated edits and audits within the claims processing system. Claims failing these edits/audits are then subject to manual review. After the review and subsequent action, the claim is again subject to the entire edit/audit system unless the claim is being denied.

Some examples of the edits are:

a. Procedure code and sex disagree.
b. Procedure code and age disagree.
c. Primary procedure and diagnosis do not agree.
d. Diagnosis and sex disagree.
e. Diagnosis (child) and relationship do not agree.
f. Invalid diagnosis code.
g. Invalid procedure code.
h. Maternity diagnosis for female under age 13 years.
i. Claim filed after filing deadline.

CHAIRMAN EVANS

Answer: (9) Continued.

Examples of benefits requiring additional review:

a. Controlled prescription drugs. These are drugs which have a high abuse potential.

b. Mental health services for inpatient and outpatient limitations.

c. Reconstructive surgery for cosmetic rather than medical reasons.

d. Abortions.

e. Preventive care.

f. Speech therapy.

g. Physical therapy.

All CHAMPVA claims are subject to 100% utilization review.

There are three levels of review required for CHAMPVA claims. First level review is the clerical review. This level conducts the basic prepayment screen review. This includes, but is not limited to, the following procedures:

a. Screening of the claim against a series of diagnoses and related procedure codes which are specific exclusions or limitations of the program.

b. Screening of the claim for possible duplicate care and billings.

c. Screening of the claim for unusual dollar amounts for a claimed service or supply.

d. Screening of the claim for appropriate length of stay to diagnosis parameters on inpatient care.

e. Screening of the claim for excessive utilization of services, supplies or pharmaceuticals.

If there is any question on the part of the first level reviewer in regards to the issue of medical necessity, the claim is referred to second level review personnel.

Second level reviewers are registered nurses, physical therapists, pharmacists, social workers, etc., who make judgments based on professional education and experience, in conjunction with documented medical policy statements/criteria for proper claim disposition. If a decision cannot be made at this level, the claim is submitted to third level medical review.

Third level medical review consists of physicians, psychologists or dentists. These individuals may be either from the fiscal intermediary's in-house medical staff or external consultants.

All mental health claims are subject to special review at specific review points. CHAMPUS has a contract with the American Psychiatric Association for review of these claims. These claims are subject to specific first level and second level reviews in addition to other prepayment utilization review criteria.

CHAIRMAN EVANS

Answer: (9) Continued.

We do not have cost-savings data specifically for CHAMPVA claims. However, for calendar year 1987, the fiscal intermediaries reported the following prepayment utilization review data for all CHAMPUS and CHAMPVA claims processed:

Total services suspended	6,015,575
Total services denied	2,569,492
Percent of suspended denied	42.7%
Dollar amount suspended	$612,658,847
Dollar amount denied	$239,264,775
Percent of suspended denied	39.0%

CHAMPVA services failing the prepayment screen edits/audits are denied unless additional documentation is provided by the patient or provider which justifies the claimed service.

As previously stated, all CHAMPVA claims are subject to utilization review.

Question: (10) After the CCRC assumes responsibility for claims processing and payment, will CHAMPVA claims be subject to a utilization review as described in Question #9? Please describe the utilization review of CHAMPVA claims which will be conducted after the CCRC assumes claims processing and payment responsibilities. Will VA employees perform this review? If VA employees perform this review, how many FTEE will be needed to perform this review? Will the VA employees performing utilization reviews be CCRC staff members? If VA employees will not perform utilization reviews, how and by whom will this review be conducted and what is the anticipated cost? What percentage of CHAMPVA claims will be subject to utilization review?

Answer: It is planned that utilization review procedures similar to CHAMPUS edits/audits will be included in the CHAMPVA claims processing system. The initial screening is an automated process and the claims clerk will conduct follow-up on apparent discrepancies. Higher level review is not yet resolved. We will explore the feasibility of an in-house vs. contract process.

Question: (11) Are payments based on CHAMPVA claims now subject to a dollar limitation and what is the limit? What is the basis of any payment limitation? If customary and reasonable cost is the basis for payment limitation, how and by whom is customary and reasonable cost determined? Will payments based on CHAMPVA claims be subject to a payment limit when the CCRC assumes claims processing and payment responsibilities and what will be the basis of this limitation? If customary and reasonable cost will be the basis for limiting payment, how and by whom will customary and reasonable cost be determined? If customary and reasonable cost will not be determined by VA employees, what is the anticipated cost of this service?

Answer: CHAMPVA claim payments are subject to the allowable charge criteria. The allowable charge is the lower of the actual billed charge or the prevailing charge made for a given procedure or supply. Prevailing charges are developed by the fiscal intermediary on a statewide, nonspecialty basis and are set at the 80th percentile of charges made for a given procedure during the base period.

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Answer: (11) Continued.

Hospital reimbursement is now based on the CHAMPUS DRG-based payment system as authorized by the DoD Authorization Act, 1984, which amended Title 10, Section 1079 (j)(2)(A). This is a reimbursement system for hospitals which assigns prospectively-determined payment levels to each diagnostic related group (DRG) based on the average cost of treating all CHAMPUS/CHAMPVA patients in a given DRG. Psychiatric hospitals, rehabilitation hospitals, alcohol/drug hospitals, distinct units of psychiatric, rehabilitation and alcohol/drug care, children's hospitals, long-term care hospitals and sole community hospitals are exempt from the CHAMPUS DRG-based payment system provided they are also exempt from the Medicare prospective payment system. In these cases, the billed charge is allowable if it is reasonable and is not greater than 1) the charge made to the general public; 2) the allowed charge applied to the fiscal intermediary's policy holders where this charge is extended to CHAMPUS/CHAMPVA beneficiaries, or 3) the charge set by local or state regulatory authority as applicable to citizens and extended by law or regulation, consent or agreement to CHAMPUS.

CHAMPUS reimbursement is regulated by Public Law 97-86. The DoD Appropriations Acts have limited the prevailing charges to the 80th percentile.

DoD Authorization Act, 1984, provided for CHAMPUS reimbursing hospitals on the basis of a CHAMPUS DRG-based payment system, excluding certain types of hospitals and units. Please refer to the previous response.

The CHAMPUS Fiscal Intermediary has primary responsibility for determining allowable charges according to the law, regulation and the broad principles and policy guidelines issued by OCHAMPUS. Charges made by individual providers for services rendered to CHAMPUS and CHAMPVA beneficiaries during the data base period are included in the data base. However, the F.I. may use private business data to supplement the CHAMPUS data if it falls within the data base period.

CHAMPVA claims processing at the CHAMPVA Payment Center, once implemented, will be paid in a manner similar to Medicare Diagnostic Related Groups method for inpatient claims and at the 80th percentile of the usual and customary fee for outpatient claims.

Question: (12) Please identify each medical procedure or service for which a CHAMPVA benefit limitation exists. Please identify each medical procedure or service for which CHAMPVA benefits are not provided.

Answer: The following is a list of medical procedures or services for which a CHAMPVA benefit limitation exists:

Abortions

Family planning for birth control

Genetic testing to determine abnormalities/defects in an unborn child when:

- the expectant mother is age 35 or older
- the expectant mother had rubella during the first three months of pregnancy
- parental family history of children born with congenital defects
- parent has sibling with congenital defect

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Answer: (12) Continued.

Treatment for alcoholism under the specific circumstances:

- o hospital care--limited to maximum of seven days;
- o rehabilitation stays--limited to three stays during a lifetime;
- o outpatient psychiatric care--subject to limitations for psychiatric services

Organ transplants

Cosmetic, reconstructive or plastic surgery for the following:

- o to correct a congenital defect other than dental
- o to restore body form after an accidental injury
- o to revise disfiguring and extensive scars resulting from cancer surgery

Dental benefits, limited to:

- o part of medical treatment

Maternity care

Psychiatric services--limitations exist for these services

Private duty nursing services

- o in a hospital without an intensive care unit
- o in the home when patient requires skilled nursing services

Durable medical equipment rental:

- o medically necessary for treating an illness/injury
- o designed to improve functioning of malformed body
- o ordered for medical purpose rather than comfort
- o other limitations apply

The following medical services or procedures are not provided under CHAMPVA benefits.

Abortion counseling and referral fees

Birth control supplies (prophylactics, foams, etc.)

Reversal of a sterilization procedure

Genetic testing to establish paternity or determine sex of unborn child

Donor transportation costs for organ transplant

Eyeglasses or lenses

Sex change

Cosmetic, reconstructive or plastic surgery (i.e., face lifts, removal of tattoos, breast reduction, etc.)

Dental benefits

Diagnostic admissions

Unnecessary hospital stays after delivery

Unnecessary high level of institutional care

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Answer: (12) Continued.

Preventive care (immunizations, school/camp exams, etc.)

Primarily comfort or convenience items (beauty/barber services, radio, television, etc.)

Routine foot care

Custodial care in an institution or home

Domiciliary care

Inpatient confinement to detain a runaway child

Clothing

Autopsy/post mortem

Electrolysis

Acupuncture

Hearing aids

Question: (13) Please identify and describe each cost-of-care contribution (deductible, copayment, etc.) currently required to be made by CHAMPVA beneficiaries. Will CHAMPVA beneficiaries be required to make any cost-of-care contribution after the CCRC assumes responsibility for claims processing and payment? Please explain and describe any cost-of-care contribution which will be required.

Answer: CHAMPVA shares only certain medical bills; the beneficiary is responsible for the full bill for any care that is not covered by CHAMPVA. For care that is covered, the beneficiary is responsible for a deductible copayment. For outpatient care, there is a yearly deductible of $50 for one beneficiary or $100 for a family. After this deductible has been met, the beneficiary pays 25% of all CHAMPVA allowable charges. For inpatient care, there is no yearly deductible. Eligible CHAMPVA beneficiaries pay 25% of the cost of care in a civilian hospital. The beneficiaries pay in full for any care that is not covered by CHAMPVA.

There are no plans to change the required CHAMPVA beneficiary 25% copayment for inpatient or outpatient care when the CCRC assumes the responsibility for claims processing and payment.

Question: (14) Please provide an organization chart for the CCRC which includes the +133 FTEE requested in the fiscal year 1989 budget proposal.

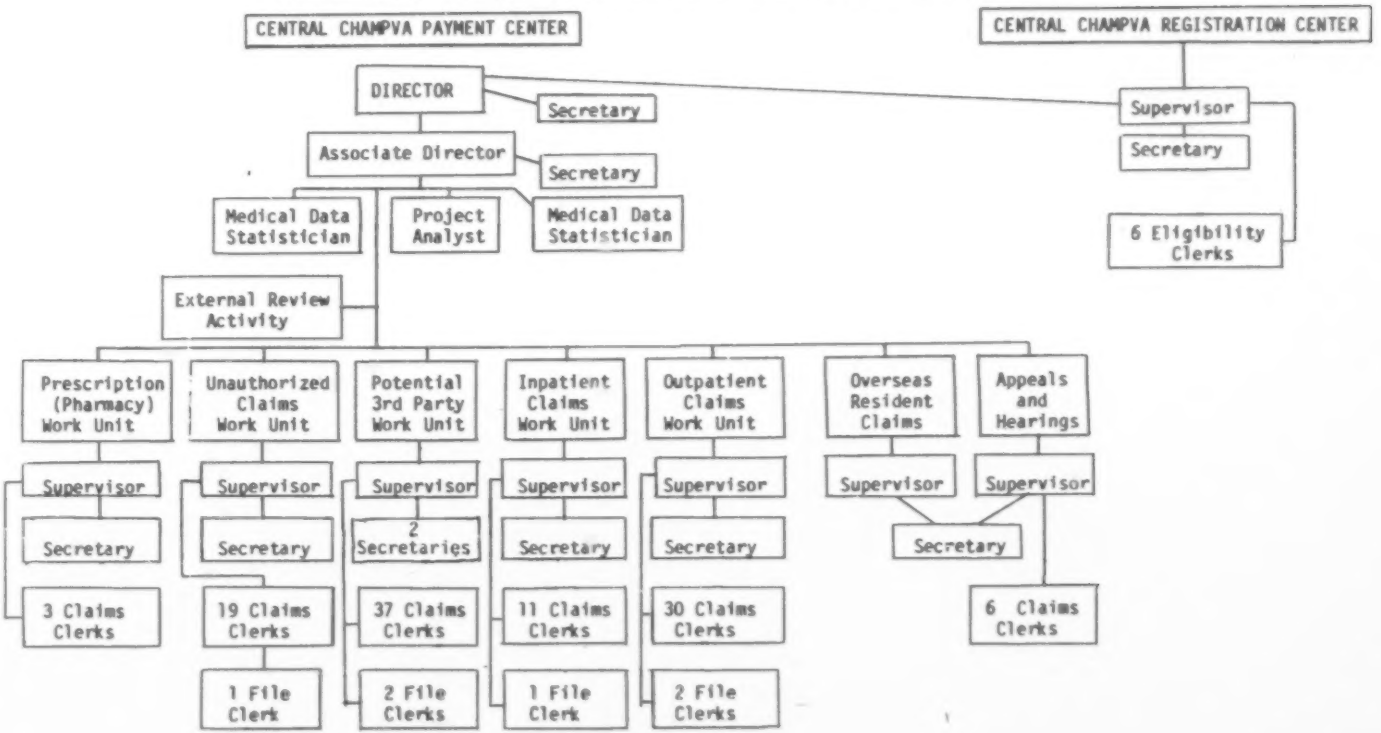
Answer: Requested organizational chart is attached.

Question: (15) The Department of Defense has reportedly awarded a five-year, $3 billion contract to Foundation Health Corporation for the administration of CHAMPUS in California and Hawaii. Please describe the medical care available to CHAMPUS beneficiaries under this agreement including all benefit exclusions, benefit limitations and all beneficiary deductibles, copayments and other cost-of-care contribution requirements.

Answer: The information for this response has been provided to us by the Department of Defense.

Design of the unique health care plan was particularly difficult because the Defense Department insisted that the bulk of all care continue to be provided in military hospitals and clinics, that

COMBINED CHAMPVA CENTRAL PAYMENT/CENTRAL REGISTRATION CENTER ORGANIZATIONAL CHART



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Answer: (15) Continued.

beneficiaries continue to have freedom to choose where to get care, and that there be no mandatory enrollment for any care to be obtained in the civilian sector. These three conditions made it extremely hard to predict the quantity and kinds of care which the contractor would be forced to provide in the civilian sector under a fixed-price contract. A principal objective of the CHAMPUS Reform Initiative is to provide a better CHAMPUS program for military families. Beneficiaries will have the opportunity to select three civilian methods of care under the Foundation contract: CHAMPUS Prime, CHAMPUS Extra and standard CHAMPUS.

The contracts' major features are:

- o Enhanced benefits. Beneficiaries will be able to enroll voluntarily in a program called CHAMPUS Prime which will provide greater access to affordable health care, as an alternative to over-crowded military hospitals. The beneficiary's cost share for most visits to doctors will be only $5. The other benefits of CHAMPUS Prime are:

- o new preventive care services

- o charge lower copayments for hospital care

- o eliminate claims filing process

- o access to CHAMPUS Extra program

CHAMPUS beneficiaries will still be allowed to choose military facilities or civilian facilities for their health care.

Access to affordable primary and preventive care will be much better under CHAMPUS Prime. Standard CHAMPUS beneficiaries currently may go to any health care provider they choose, but must pay a deductible for all outpatient care ($50 annually per person, $100 per family) and a cost-share of 20% (for active-duty families) or 25% (for retirees and their families.) In addition, the beneficiary may be liable for any cost above the CHAMPUS allowable charge. Under CHAMPUS Prime, beneficiaries will pay only a nominal $5 per visit fee for all primary and most non-primary outpatient care. Hospital benefits also will be better for CHAMPUS Prime enrollees when treatment in a military hospital is not available. Under standard CHAMPUS, retirees and their dependents pay 25% of the allowable bill. CHAMPUS Prime will provide a total cap on beneficiary costs for inpatient care for retirees and their dependents of $75 per day up to $750 per admission.

CHAMPUS beneficiaries who do not enroll in CHAMPUS Prime will be able to participate in the CHAMPUS Extra option which also offers better benefits without requiring enrollment. The benefit improvements are primarily a five percentage point discount from the 20% and 25% cost-shares of the standard CHAMPUS program, and elimination of the standard CHAMPUS claims filing requirement.

Any CHAMPUS beneficiaries who choose to continue with the standard CHAMPUS program can do so. All benefits and cost-sharing rules will remain as they currently exist, subject to routine changes of requirements and procedures. This is in keeping with DoD's firm commitment throughout the CHAMPUS Reform Initiative process to preserve beneficiary freedom of choice.

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Question: (16) 38 U.S.C. 613(b) directs the Administrator to provide CHAMPVA beneficiaries with, "medical care in the same or similar manner and subject to the same or similar limitations" as medical care furnished to CHAMPUS beneficiaries. Does the agreement referred to in Question 15 have any impact on the provision of medical care to CHAMPVA beneficiaries who reside in California, Hawaii or elsewhere? Please explain.

Answer: Medical care available to CHAMPUS beneficiaries in California and Hawaii under the DoD contract to Foundation Health Corporation is not available to CHAMPVA beneficiaries. DoD will continue to process claims for CHAMPVA beneficiaries in these states.

Question: (17) Should a copayment, deductible or other beneficiary cost-of-care contribution be required for CHAMPVA benefits and should any limitation or exclusion be applied to medical care furnished to CHAMPVA beneficiaries? Please explain.

Answer: For the CHAMPVA program to provide care in the same or similar manner as the CHAMPUS program, the continuation of a deductible copayment and an exclusion and limitation requirement is appropriate. The Veterans Administration supports continuation of CHAMPVA benefits at the current levels.

Question: (18) A CHAMPVA taskforce has been created. Why has this taskforce been created, what is its purpose, when was it created, who are the members of the taskforce, what action or actions have been recommended or taken by the taskforce and when were these actions taken or recommended?

Answer: The CHAMPVA Task Force was created to integrate final action necessary to complete eligibility review and to insure the orderly transition to the establishment of the CHAMPVA Payment Center. The Task Force was established in February 1988 with the following members:

Mr. Stuart Mount, Medical Administration Service, Chairman, VACO

Ms. Rosemary Bowlin, Medical Administration Service, VAMC, Des Moines

Mr. Kenneth Clark, Chairman, Deputy Regional Director's Council, VACO

Mr. James Edwards, Office of Information Systems & Telecommunications, VACO

Mr. Roy Ferris, Medical Administration Service, VAMC, Bay Pines

Ms. Ruth E. Morgan, Central CHAMPVA Registration Center, VAMC Denver

Mr. James M. Norton, Midwestern Region, VACO

Mr. Lane W. Parsons, Medical Information Resources Management Office, VACO

Mr. Robert A. Perreault, Medical Administration Service, VACO

Ms. Myrta K. Sale, Finance Service, VACO

Subsequently, the following member was added to the Task Force:

Mr. Donald Colston, Associate Director, VAMC, Denver

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Answer: (18) Continued.

The Task Force is proceeding to take action to establish Third Party recovery procedures, initiate recovery from ineligibles, develop written procedures, establish core staffing for the Payment Center, develop position descriptions, initiate recruitment, determine and plan procurement of equipment and furnishings, design automated systems requirements for payment processing and monitor their implementation.